



Fiscal Year 2012/2013 Proposed Operating Budget





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The Government Finance Officers Association (GFOA) of the United States and Canada presented an award for Distinguished Budget Presentation to the City of Fremont for its annual budget for the fiscal year beginning July 1, 2011.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. This is the fifteenth consecutive year the City has earned the award. We believe our current budget continues to conform to program requirements.



Acknowledgments

Putting together a budget requires a great deal of effort from many people. The City Manager and Budget Team would like to thank the Accounting Services Staff, Department Budget Coordinators, and others for their invaluable assistance:

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Table of Contents

Guide to the Document

- Guide to the Document..... 1

Budget Overview

- Budget Overview 5

Summary Information

- Citywide Organization Chart..... 25
- City of Fremont Profile..... 27
- All City Funds Schedule 31
- Citywide Position Changes 33
- City Debt Summary 35
- Gann Limit..... 39
- Budget Principles..... 41
- Performance Measurement 43
- Citywide Goals and Objectives 47

General Fund

- General Fund Summary..... 55
- General Fund Revenues..... 68
- Forecast..... 80
- Transfer Detail 81
- Historical Comparison..... 83

Other Fund

- Other Funds..... 85
- Cost Centers & Internal Service Funds..... 87
- Special Revenue Funds 93
- Capital Funds..... 99

Capital Budget Summary

- Capital Budget Summary..... 103

Table of Contents

Department Budgets

• City Council	117
• Community Development	121
• Community Services	127
• Economic Development	133
• Fire	139
• Human Services	145
• Police	151
• Public Works	157
• Administrative Departments	163
❑ City Manager	167
❑ City Attorney	173
❑ City Clerk	177
❑ Finance	181
❑ Human Resources	185
❑ Information Technology Services	191

Staffing

• Regular Position Summary	197
----------------------------------	-----

Policies & Glossary

• Policies and Practices	207
• Glossary of Budget Terms	226

Guide to the Document

The budget is both a spending plan for the City’s available financial resources and the legal authority for City departments to spend the resources for public purposes. Through these resources, services are provided to meet the needs of Fremont residents. The City Council and City staff respond to the community’s needs in part through the budget. It balances not only revenues and costs, but also community priorities and interests.

Document Organization

Budget Overview

The City Manager’s Budget Overview sets the context for budget decisions by describing community and economic conditions affecting the budget. It outlines major initiatives underway and opportunities and challenges for the coming year.

Summary Information

This section of the document presents an overall picture of the City and the budget. It includes an organization chart, a description of the community, summary financial tables, a summary of citywide staffing changes associated with the budget, and documentation of the City’s compliance with State statutes and City policies regarding total expenditures and debt. The section also presents the City’s budget principles, a summary of departmental performance measures, and a summary of departmental objectives in a table that shows the alignment of objectives with citywide goals.

General Fund

Local government budgets are organized by funds in order to segregate and account for restricted resources. Each fund is a separate accounting entity. The General Fund provides the majority of resources for most of the services cities typically provide, including the public safety, maintenance, and general government functions required to support direct services to the community. This section provides an analytical overview of the General Fund for the budget year. This section also places the budget in context with the financial forecast and provides a five-year historical review of General Fund sources and uses.

Other Funds

The Other Funds section contains information regarding non-General Fund sources of revenue. These funds are grouped into Cost Centers and Internal Service, Special Revenue, and Capital categories. Internal Service funds are cost allocation mechanisms and, along with Cost Center funds, are proprietary in nature. Special Revenue funds and Capital funds are grouped with the General Fund and Debt Service funds and are described as “governmental funds.” The distinction between how the budgeted resources are accounted for in proprietary funds as compared to governmental funds is discussed in the “Basis of Budgetary Accounting” located in the Policies and Practices section of the document. A description and financial summary is provided for each category of Other Funds within the budget.

Guide to the Document

Capital Budget Summary

The Capital Improvement Program (CIP) is adopted biannually and includes appropriations for projects for Fiscal Years 2011/12 through 2012/13. Selected excerpts from the CIP are included with the operating budget to present a comprehensive picture of all the funds of the City and to reflect fund transfers approved between other operating funds and capital funds. This section contains a description of the CIP funds, a summary of approved expenditures by program category, and highlights of key projects for the current fiscal year.

Department Budgets

The majority of the budget document presents information on departmental budgets. Each departmental section provides the following information:

- **Department Mission Statement**
- **Department Major Services** - The purpose of this information is to give the reader an understanding of the scope of each department's major service areas.
- **Department Overview** - An overview summarizing each department's ongoing day-to-day core services and responsibilities.
- **Accomplishment Highlights** - A list that highlights a few of the department's most noteworthy accomplishments.
- **Service Delivery Changes** - Information about any major service delivery changes.
- **Objectives** - A list of significant departmental objectives or one-time projects aligned with the City Council's goals that help to achieve departmental goals outside the day-to-day services provided by the department.
- **Performance Measurement** - Information on performance measures and targets.
- **Sources of Funding** - This information is in graphic form and illustrates the funds from which departments receive financial resources. Interfund transfers (to the General Fund) cover administrative department costs that are provided by the General Fund. This contribution is shown on the charts as "overhead charges to other funds."
- **Expenditure Summary** - This table provides the salary and benefits, operating, and capital costs associated with the department for the fiscal year. It also provides historical information and trends of previous funding levels.
- **Major Budget Changes** - A description of the major budget changes is included that compares the previous year's budget with that for the current year. The major changes narrative includes any changes in salaries, benefits, and staffing. In addition, it describes operating, capital, and indirect expense allocation changes only if they vary by 4% up or down from the previous year.
- **Staffing** - A historical staffing graph shows the level of staffing for each department. In addition, an organization chart displays individual positions and titles.

Departments comprised of multiple, discrete service areas also present a table summarizing their activities by those major service areas.

Staffing

This section contains a summary of authorized positions by department and provides perspective on workforce trends.

Policies & Glossary

This section details the City's budget and financial policies, and includes a glossary of budget terminology.

Resolutions

This section contains resolutions approving and adopting the City budget, the appropriation limit for the fiscal year, and other resolutions approved as part of the budget adoption process.

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Budget Overview

Honorable Mayor and Members of the City Council:

After several years of budget shortfalls and painful decisions that have impacted services and our workforce, it is with cautious optimism that I present the Fiscal Year 2012/13 Budget. The fiscal year 2012/13 budget process presents a uniquely challenging environment and, at the same time, exciting opportunity for the City Council, organization and community. As a result of many strategic decisions over the past several years, successful labor negotiations in FY 2011/12, and implementation of the Council-adopted Strategic Fiscal Sustainability Action Plan and new Budget Principles, resources are once again becoming available to help address the City's long list of unmet needs. Fremont is better positioned than most other cities in the Bay Area.

Total budgeted resources in the coming fiscal year will be adequate to support total budgeted expenditures of \$133.5 million, so the budget is considered to be balanced. The FY 2012/13 budget also maintains the City Council's long-standing funding priorities by allocating over three-quarters of the budget to direct costs for public safety and maintenance. The share of General Fund resources budgeted for these purposes is actually 89% when overhead costs required to support these functions are allocated. The FY 2012/13 budget is 0.4% less than last year's adopted budget.

Over the next five years, the City will begin to see modest increases in its General Fund net resources. While we still have significant work ahead of us, this proposed budget begins to stabilize and position the City for the future. I look forward to working with the Council, the organization, and the community on this future.

There are some new aspects of this year's budget document that are noteworthy, and will be discussed in more detail in the Budget Summary of this document. These include phase one development of performance measurements, new Council-adopted Budget Principles, and results of the 2012 Community Survey.

In this message, I will highlight the following:

- FY 2012/13 Fiscal Outlook
- The Current Economic Update and State Financial Condition
- How We Got Here
- Key Budget Assumptions
- Update on the Strategic Fiscal Sustainability Action Plan
- Discussion of Unmet Needs
- Major City Initiatives

Budget Overview

FY 2012/13 Fiscal Outlook

As the City looks ahead to FY 2012/13, staff is encouraged by indicators that a modest recovery is finally underway. Typically, local government revenues lag both economic downturn and economic recovery over the course of the business cycle. This gap between the change in economic conditions and local agency revenue collections can last from 18 months to several years.

Property tax appears to be stable, and sales tax seems to be ticking up a bit, just as staff anticipated when the FY 2011/12 budget was adopted. The City met previous difficult times by reducing spending throughout the organization and by focusing on attracting and retaining retail businesses to increase revenue. Staff has been vigilant and disciplined over the past several years, cutting costs and reducing staffing to a point of marginal service delivery. A dollar saved today is one we won't have to cut in the future, and the organization has taken that to heart. Even so, some very difficult cuts and service reductions have been necessary to make sure we continue to live within our means, with the result that we have a growing list of unmet needs.

Property tax and sales tax are the City's most significant revenue sources. The City's FY 2012/13 property tax revenues are based on assessed property values as of January 1, 2012. Although property transfer tax transaction volume is beginning to grow again, property transfer tax revenue is actually declining as the market continues to digest foreclosures and the high inventory of properties for sale. A negative factor for property tax is the preliminary impact of the Solyndra bankruptcy, which will be reflected on the property tax rolls in FY 2012/13. On the positive side, the inflationary adjustment to assessed values permitted by Proposition 13 is 2% for FY 2012/13. This is a vast improvement compared to the negative 0.27% two years ago, and 0.753% last year, and is one more indicator that the worst seems to be behind us.

In addition, with the demise of redevelopment, property tax that otherwise went to the City's former redevelopment agency will revert back to the General Fund. The timing of receipt of this additional revenue is dependent on the wind-down process that is currently underway. At the conclusion of the wind-down, which we are estimating for budget purposes to occur in FY 2015/16, we believe the General Fund will receive approximately \$5 million annually in additional property tax. Between now and then, the budget includes an additional \$3 million per year, beginning in FY 2012/13. Based on all these factors, property tax revenues are projected to increase in FY 2012/13 by 5.4%, to \$65.1 million. If the \$3 million is factored out, this results in a 0.5% increase in baseline property tax.

In contrast to the generally consistent property tax trend, sales tax trends are emblematic of the City's broader revenue volatility. After reaching a high point of \$33.2 million in FY 2000/01, sales tax revenues endured a multi-year decline to a low point of \$26.8 million in FY 2003/04. The steep drop was caused by the collapse of the Silicon Valley technology market and Fremont's reliance on sales tax from high-tech manufacturers. Since that time, sales tax from the high-tech and biotech sectors now appears to be stabilizing, and City efforts to diversify and strengthen our sales tax base by increasing the consumer retail sales and auto sales tax bases have also been productive. As a result, we expect to see a 7.0% increase in our sales tax revenue in FY 2011/12, followed by a 4.3% increase in FY 2012/13, to \$33.6 million.

In FY 2011/12, the City is expecting to use \$2.8 million from the Budget Uncertainty Reserve (the same amount anticipated at the time the FY 2011/12 budget was adopted in June 2011).

In FY 2012/13 and beyond, there is no anticipated use of the Budget Uncertainty Reserve. This reserve has a balance of \$4.7 million which, when added to the City's "core" reserves of \$18.3 million, results in a total reserve level of 17.2%. The Government Finance Officers Association of the United States and Canada revised its recommended practice in 2009 to recommend that local governments maintain reserves of at least 16.7% (two months of revenues or expenditures). The City's reserve level is consistent with this recommended practice. In addition, the FY 2012/13 budget anticipates ending the fiscal year with \$1.5 million in fund balance – something that hasn't happened since FY 2007/08.

Economic Update/State's Financial Condition

The nation is finally emerging from the longest, deepest recession since the Great Depression of the 1930s. Unlike any recession since World War II, this last economic downturn will leave a lasting mark on the U.S. economy, and it has almost certainly shifted the long-run growth path of the nation permanently down to a lower path. The broadest measure of productivity in the United States, gross domestic product, increased by 3% in the fourth quarter of 2011, largely due to a decrease in unemployment. Still, expectations remain downbeat as most economists expect growth to come in at 2% or lower for 2012. Worries about housing, gas prices, the European debt crisis, and China still tend to overshadow other data that paints a brighter picture.

California is also headed down the road toward economic recovery. Beacon Economics, in its April forecast, notes that although things continue to move in the right direction, we still have a long way to go to full recovery. California has added back more than 320,000 jobs lost during the recession. This is particularly noteworthy because of ongoing job losses in the government sector, which means that the overall increase is an indicator that private sector employment is doing even better. In addition, since hitting bottom in the second quarter of 2009, taxable sales in California have experienced 10 consecutive quarters of positive growth, representing a 21% increase in nominal spending by the State's consumers. Beacon Economics forecasts that spending will continue to expand throughout 2012, but also foresees a slowdown when the tax cuts put in place by President Bush and continued by President Obama expire. In addition, there is a slow but steady increase in homebuyer demand across the State. Unlike many states that were hit hard by the mortgage market crash, California continues to maintain one of the lowest overall housing vacancy rates in the nation – something that bodes well for future homebuilding.

The State, however, continues to face a budget shortfall that is far too large due to fundamental problems with the State's budget system. The underlying economy is improving, but that is only half the battle in dealing with California's budget gap. There need to be serious, long-term solutions on both the revenue and the expenditure side if the State is going to dig itself out of its persistent multi-billion dollar budget hole.

The instability of the State budget continues to be a real threat to local governments, including Fremont. The California State Constitution requires the Legislature to send a budget to the Governor by June 15 and subsequently requires the Governor to sign the budget by July 1. These deadlines may have more meaning now because Proposition 25, approved in November 2010, prohibits legislators from being paid if they submit a late budget to the Governor.

Budget Overview

The Governor's initial FY 2012/13 budget, presented in January 2011, projected a \$9.2 billion budget problem, consisting of a \$4 billion deficit in FY 2011/12 plus a \$5 billion shortfall in FY 2012/13. It also assumes a \$1.1 billion reserve at the end of the fiscal year. The cornerstone of the Governor's proposed budget is its assumption that voters will approve a temporary increase in income and sales taxes through an initiative that the Governor has proposed be placed on the November 2012 ballot.

The Governor estimates the initiative would increase State revenues by \$6.9 billion by the end of FY 2012/13, and generate billions of dollars per year until its taxes expire at the end of 2016. The taxes would be used to pay for the State's Proposition 98 school funding obligations, and to help balance the budget by paying for other State programs. The Governor also proposed significant reductions to social services and child care programs, and additional State borrowing. Should the voters not approve the Governor's tax initiative, the Governor's proposal also requests that the Legislature approve \$5.4 billion in "trigger" cuts, to take effect January 1, 2013. Proposition 98 funding for schools and community colleges would bear the brunt of these trigger cuts.

In mid-May 2012, the Governor will issue his revised budget proposal (often referred to as the "May Revise"). Because of continuing revenue shortfalls, the State expects the budget gap to have grown to roughly \$12.8 billion – a \$3.6 billion increase. This will put added pressure on the State's budget process.

State constitutional provisions and State laws approved by the voters limit the State's budget flexibility in solving structural deficits. Voters have "locked in" an increasing share of budgeted expenditures without increasing revenues. Such voter-approved funding commitments are often contradictory but, even worse, they reduce the State's flexibility needed to deal with changing budget circumstances. All of these factors, combined with the need for a two-thirds vote in each house of the Legislature to approve revenue measures, make it especially difficult for the Governor and the Legislature to reach agreement on the State's budget.

How We Got Here

The State of California has a long history of raiding local government coffers to help balance its budget in times of economic downturn and fiscal stress. Fremont experienced a significant budget challenge in the early 1990s when, in response to the severe recession at that time, a significant reduction in property tax revenue occurred. In order to fulfill its funding requirement to schools under Proposition 98, the State permanently took property taxes from local government twice on an ongoing basis to fund its Education Revenue Augmentation Fund (ERAF). These two actions are often referred to as ERAF I and II, and they continue to this day. For the City of Fremont, the amount of this loss has grown to \$14,345,000 annually, for a cumulative property tax loss of \$201.3 million since 1992. Although there have been some modest offsets for this loss from the State, in the form of Proposition 172 and COPS funding, the cumulative loss is still \$180.0 million after taking these offsets into account.

As the organization attempted to deal with these significant and unanticipated revenue losses, difficult budget cuts were made, and negotiations with employees resulted in their starting to pay their own employee contribution to the California Public Employees' Retirement System (CalPERS). Prior to that, Fremont (like most other cities) paid both the employer and employee contributions.

Beginning in 1994, all employees began paying their employee contribution, resulting in a 7% budget savings for non-sworn (miscellaneous) employees and a 9% budget savings for sworn public safety employees.

With its location in Silicon Valley and significant business-to-business sales tax base, economic recovery came roaring back to Fremont in the late 1990s with the technology (“dot-com”) boom. Sales tax revenues increased at rates few could have imagined. Staff and Council realized this revenue growth rate could not be sustained for the long-term, and efforts were made to not commit one-time revenues to ongoing costs. Instead, the Council formally adopted its reserve policies for the General Fund in 1996, and a significant portion of these increased revenues were also committed to major capital needs, one example being significant street maintenance projects. During this time, some strides were made in reducing the backlog of deferred maintenance, with the result that the City’s pavement condition index (PCI) rose to 79 (on a scale of 0-100), which is in the “good” range of 70-85. (Unfortunately, it has since declined, currently standing at 61, which is in the “fair” range of 50-69.)

Fremont was not the only beneficiary of the growing economy. The State’s revenues were likewise increasing by leaps and bounds, and during the late 1990s, it seemed as though revenue growth would go on forever. Income tax revenues account for over half of the State’s income. During the dot-com boom, these revenues increased dramatically because of income taxes derived from business income and capital gains (most notably, stock options). These two revenue sources are much more volatile than wage and salary income. The top 1% of income earners accounted for just over 30% of State income tax revenues in the early 1990s. This grew to nearly 50% in 2000, at the height of the tech boom.

The CalPERS investment portfolio also grew substantially, resulting in a number of agencies being “super funded” (meaning there were enough plan assets available so that neither employer nor employee contributions would be required for the remaining life of the plan). It was during this time that many employer rates (including Fremont’s) dropped to zero or close to it (although Fremont was never in the “super funded” category).

The effect of the “hot” economy was two-fold. First, it became increasingly difficult to hire and retain good employees. The competition was coming not only from other public sector employers, but from the private sector, which lured job applicants with promises of stock options, compensation packages and perks the public sector couldn’t match, and the allure of potential wealth should an initial public offering (IPO) of a start-up company’s stock be successful. The City – and all public employers – was in a competition for the best and the brightest, not only with each other, but with the private sector, as well.

The second effect was pressure at the State level on the Legislature and CalPERS to enhance retirement benefits. Employee bargaining groups saw the significant amounts of money available at CalPERS, and they wanted to be able to access those supposed “surpluses” to provide their members with better retirement benefits. The flaw in this perception of “surplus” is that it was based on actuarial assumptions used for the existing benefit level – it was really not “surplus.” The end result was that the Legislature passed legislation, which the Governor signed, to provide enhanced retirement benefit formulas, subject to negotiation at the local level.

Budget Overview

Fremont, like most other cities, faced much pressure from employees to implement these new benefit formulas. This pressure was exacerbated by CalPERS staff telling employees and their bargaining units that these new benefit formulas were “no cost” options. Facing both employee pressure and competitive pressure, the City negotiated with its employee bargaining groups, reaching agreement to enhance the sworn public safety retirement benefit formula from 2% at 50 to 3% at 50 in 2001, and the non-sworn (miscellaneous) retirement benefit formula from 2% at 55 to 2.5% at 55 in 2002. Unlike many other cities, in Fremont, both retirement benefit enhancements provided for some level of cost-sharing by the affected employees (generally in the form of foregone compensation increases). In addition, the employee contribution rate for non-sworn employees increased permanently from 7% of compensation to 8%. The resulting new labor agreements were renewed for an unprecedented seven years. At the time of their ratification, the longer term of these agreements was considered to be an effective way to mitigate exposure to significant future salary increases because they provided for increases at rates below that in the existing market.

Then, in late 2002, the dot-com bust hit. At the time, it was often referred to as “the perfect storm.” Sales tax revenues dropped suddenly and significantly, CalPERS employer rates shot up dramatically because of investment losses, and the State once again looked to local government to help balance its budget (through one-time diversions of property tax, amounting to \$10 million for Fremont, often referred to as ERAF III and IV). Once again, in FY 2002/03, the City acted quickly to resolve its budget challenges and evaluate the type and nature of services it delivers.

One thing the City was not able to accomplish during this time was labor concessions because of the existing labor agreements. What had once been viewed as an effective budget management strategy soon became an obstacle to balancing the budget. As a result, other difficult courses of action were pursued, including the elimination of 165 regular positions and 59 temporary positions, the outsourcing of fire dispatch services to a regional fire dispatch consortium, elimination of evening meals at the Senior Center, a reduction in grants to local non-profit social services groups, the elimination of City-paid extra hours at the Alameda County Fremont Main Library and local branches, reduction of most support for community special events, including funding for the Fremont Symphony Orchestra, closure of the Development Services Center counter half a day per week, and elimination of the City’s traffic calming program. Public safety departments took budget reductions of 10% and non-public safety departments reduced their budgets by 20-30%.

It appeared the worst was over and recovery returned in the mid-2000s – that was, until the subprime mortgage melt-down began in 2007. In September 2008, with the collapse of Lehman Brothers, Fremont, along with the rest of the country and, in fact, the world, was plunged into the longest, deepest recession since the Great Depression. What had started out looking to economists as a bit of an economic blip – a market correction – became the bursting of the housing bubble. Fremont began ratcheting back spending in 2007, made further cuts in 2008, and in 2009 again significantly reduced the work force, as well as successfully negotiating with employee bargaining groups for wage concessions. In order to balance the FY 2009/10 budget, public safety departments reduced their budgets by 5%, and all other departments reduced their budgets by 10-20%. In addition, 74 regular positions and 29 temporary positions were eliminated. The overall cumulative effect of these position eliminations reduced the authorized staff complement from 1,032.35 full-time equivalent (FTE) positions in FY 2002/03 to the current level of 839.565 FTE positions in FY 2012/13, an 18.7% reduction.

City services are provided by employees, and financial instability impacts City staff. These severe reductions in FY 2002/03 and again in FY 2009/10 created critical public safety and maintenance issues and have hampered our ability to provide optimal administrative support to frontline operations. Although these actions were necessary to help balance the budget, staffing levels for the most basic services – public safety and maintenance – are at their lowest level in almost 20 years when viewed in relation to Fremont’s population. The total City workforce now consists of 3.8 FTEs per 1,000 residents, one of the lowest staffing levels in Alameda County.

In preparing the FY 2011/12 budget, it was apparent that a persistent structural budget gap continued to exist in the General Fund, in spite of all the budget reductions made over the preceding ten years. The FY 2011/12 budget was adopted with a “placeholder” of \$5.2 million in budget balancing strategies that had not yet been identified at the time of budget adoption. Early in the new fiscal year, negotiations were successfully concluded with all employee bargaining units. The primary results of those negotiations were as follows:

- All employees took either a 4.25% wage reduction or began making an additional contribution to CalPERS to offset the increased employer cost (5.8% for safety employees, 5.29% for non-safety employees).
- A second tier retirement benefit was created for new employees, consisting of 2% at 60 for non-safety employees and 3% at 55 for safety employees.

A schedule change was also negotiated for Police patrol operations, which should result in both significant reductions in overtime costs and more officers on duty. These changes are ongoing, with no sunset provision, and should result in a balanced budget for the foreseeable future, as well as providing resources to begin addressing the City’s growing list of unmet needs.

Key Budget Assumptions

Based on the data we have at this time, information about the State’s current fiscal condition, and economic forecasts from a range of sources, we are making the following key assumptions for the FY 2012/13 budget:

1. Because of the long, slow nature of this economic recovery, further sustainable budget reductions are proposed, resulting in a budget that is only 0.7% more than estimated actual expenditures the year before. When compared to the FY 2011/12 adopted budget, there is actually an expenditure decrease of 0.5%.
2. The local economy will generally hold steady and improve slightly during FY 2012/13, resulting in total General Fund resources (revenues and transfers in) increasing by 4.1% over estimated actual resources in FY 2011/12. A portion of this increase is due to an estimated additional \$3 million in property tax in FY 2012/13 as a result of the winding down of the City’s redevelopment agency. When that estimated additional property tax is factored out, the increase in General Fund resources is a more modest 1.8%.

Budget Overview

3. The FY 2012/13 adopted budget is premised on continuing implementation of the Council-adopted Strategic Fiscal Sustainability Action Plan, which includes identifying areas for further reductions and alternative service delivery savings. Staff will continue to move forward with cost savings strategies and adjust the budget as necessary during the fiscal year.
4. The costs of the FY 2012/13 budget will be covered by projected resources, without requiring the use of reserves to balance the budget.
5. The State-mandated dissolution of the City's Redevelopment Agency means that some shared costs will now become the full responsibility of the City. Property tax increment that had been committed to the Redevelopment Agency will now be distributed to all taxing jurisdictions in the same manner as regular property taxes.
6. Total expenditures in the FY 2012/13 budget include a savings assumption of \$750,000 (approximately 0.6% of total budgeted expenditures in FY 2012/13) to compensate for the historical tendency to under-spend total allocated resources because of things like salary savings from vacant positions. In addition, there is also a savings assumption of \$925,000 to offset the additional appropriations required with respect to the City's variable rate debt, in accordance with debt covenants.
7. The FY 2012/13 budget does not include any prefunding of the City's other post-employment benefit (OPEB) liabilities, nor does it include any contribution to capital projects. Funding for these items will not be included in the budget until such time as the economic situation has stabilized and sufficient resources are once again available.
8. The General Fund's primary reserves, which total 12.5% of total expenditures and transfers out, will remain intact for FY 2012/13 and, when the Budget Uncertainty Reserve is included, the City's reserve level is 17.2%. This exceeds both the Council's 12.5% policy level and the 16.7% level recommended by GFOA.

Strategic Fiscal Sustainability

In March 2011, the City engaged Management Partners to conduct a strategic budget sustainability study and develop recommendations that will enable services to be provided within the City's projected resource capability. Their report, which was presented to the City Council on July 26, 2011, identified ways to reduce costs and increase revenue to better align annual expenditures with current revenues. In addition, the study presented 33 recommendations with suggested implementation timeframes. Staff returned to Council on October 4, 2011 with an implementation plan ("the Sustainability Study Action Plan"), which proposed 15 recommendations for implementation and 18 recommendations for further analysis. In some instances, a phased approach was recommended, or an alternative recommendation was proposed for implementation. In addition, one recommendation that required further analysis was moved into the implementation group, for a total of 16 recommendations for implementation.

The status of the 16 recommendations proposed for implementation is as follows (all recommendation numbers correspond to the numbers in the Management Partners report):

Recommendation 1: Adopt a comprehensive list of budget principles.

Status: Implemented, and included in this budget document.

Recommendation 2: Issue an RFP to outsource landscaping and park maintenance.

Status: This recommendation has been split into two phases by geography and work areas. The first phase, with a targeted implementation date of early in FY 2012/13, focuses on medians and mowing. The second phase, with a targeted implementation date of FY 2013/14, will address the remainder of Landscape Maintenance. Estimated savings from the first phase are \$500,000-700,000; estimated savings for the second phase are \$800,000-1.4 million.

Recommendation 3: Pursue incorporating street sweeping into the new waste hauling contract during the next renewal cycle.

Status: This is currently in process, with a targeted implementation date of FY 2013/14. Estimated potential savings are \$335,000.

Recommendation 6: Acknowledge cost control initiatives already implemented to date by Human Services and reduce the General Fund support by \$262,000 over the next three fiscal years while continuing to aggressively seek more grant funding from other organizations.

Status: The General Fund contribution of \$3.622 million was decreased by \$13,000 in FY 2011/12, it is being reduced by an additional \$147,000 in FY 2012/13, and it will be reduced an additional \$102,000 in FY 2013/14, for a cumulative reduction of \$262,000. In addition, the Human Services Department continues to evaluate potential redundancies with County services, as well as exploring new funding opportunities that might be used to further reduce the amount of General Fund support in the future.

Recommendation 7: Negotiate two-tier retirement plans for all labor groups. Return to the benefit levels in place prior to existing benefits.

Status: Implemented. All new employees will now be eligible for either the 3% at 55 retirement benefit formula for safety employees, or 2% at 60 for non-safety employees. Although savings will be rather modest initially, over the long term this change is estimated to result in savings of \$3.3-5.5 million.

Recommendation 16: Modify the internal service fund for fleet services to capture and allocate all fleet maintenance, operating and replacement costs.

Status: Preliminary analysis has been completed for this recommendation, but further analysis is needed to achieve budget savings, as well as to identify ways to encourage a higher degree of user department and employee responsibility for vehicle usage.

Budget Overview

Recommendation 17: Implement the rotating 4/10 patrol schedule recommended by the Police Department's Shift Configuration Committee.

Status: This recommendation was successfully negotiated with the bargaining unit and was implemented in late January 2012. Savings of \$250,000 are estimated for FY 2011/12, increasing to \$500,000 in FY 2012/13 and beyond.

Recommendation 21: Convert selected public safety position from sworn officers to professional civilian employees.

Status: Management Partners recommended that five positions be converted from sworn to non-sworn positions. Currently, two positions have been converted, and the remaining three positions need further study. Of the positions converted, one is the new Public Safety Communications Manager, responsible for managing the Police Dispatch Center, and one is the new Animal Services Manager, responsible for Animal Control operations in the Police Department. Recruitments have been conducted for both positions and they should be filled in FY 2011/12. Savings from this change are estimated at \$90,000.

Recommendation 22: Develop an Information Technology strategic plan to guide the City's technology investments.

Status: IT staff has begun meeting with all City departments as part of the development of a comprehensive strategic plan for technology investment. Implementation of this recommendation should be complete in FY 2012/13. Potential savings still need to be quantified.

Recommendation 23: Consolidate responsibility and resources for information technology from the Police Department into the City's ITS Department.

Status: Recommendation will be implemented on July 1, 2012. Savings are estimated to be \$112,000 annually.

Recommendation 24: Allocate City cell phones on the basis of critical business necessity and offer a nominal cell phone allowance for City-related calls to employees for whom a City-provided cell phone is not essential.

Status: Recommendation has been implemented. The City's administrative regulation governing cell phones has been revised and a tiered allowance, based on level of business-related use, has been established. Staff is meeting with each individual department to review the inventory of cell phones currently deployed, assess business necessity, and make adjustments accordingly. Savings are estimated to be \$50,000 annually.

Recommendation 25: Fund eligible City programs or projects with CDBG grant dollars to the extent possible, before making funds available to outside organizations.

Status: This recommendation was implemented this year as part of the CDBG funding cycle for FY 2012/13. Two City projects were proposed, and one was recommended for funding. The two City projects submitted were a request for \$79,000 in FY 2012/13 to fund a playground retrofit at Centerville Community Park, and a request for \$117,761 in FY 2012/13 and again in FY 2013/14 to

provide a full-time code enforcement officer to help eliminate blight and keep dwellings safe and in good repair. The playground retrofit request was approved, and the code enforcement officer request was denied.

Recommendation 28: Conduct a comprehensive master fee study and recommend changes to the City Council.

Status: On April 17, 2012, Council approved a contract with Capital Accounting Partners to perform this work, including benchmarking to other comparable cities. This work should be completed and brought to Council for consideration in early FY 2012/13. The budget impact of this effort will not be known until the project is complete.

Recommendation 29: Conduct an in-depth review of the Development Cost Center fees with a goal of achieving full cost recovery.

Status: This work is also being performed by Capital Accounting Partners and will occur in conjunction with the implementation of Recommendation 28, above.

Recommendation 30: Develop an implementation plan for a “pay to stay” program for the Fremont Detention Center.

Status: Implementation of this recommendation was approved by Council on March 20, 2012. Preliminary revenue projections for this program are \$100,000 annually.

Recommendation 31: Develop a comprehensive asset management program, identify market rental rates and subsidies, and sell unneeded or under-performing properties.

Status: Work is underway on this recommendation, and the project has been broken into two phases. The first phase should be complete in FY 2012/13, with the second phase complete within 12 months after that. Budget impacts cannot be quantified until the project is closer to completion.

Analysis and further study is proceeding on the remaining 17 recommendations. We will provide that information to Council when it is available.

Unmet Needs

Even as we struggle to provide services to the community, we face another challenge in the increasing cost of maintaining Fremont’s infrastructure. This is primarily due to three factors. First, as Fremont ages, so does its public infrastructure. The majority of Fremont’s public infrastructure was constructed many years ago and now requires either an increased level or frequency of repairs, compounded by not having had adequate resources to spend on maintenance in the past. Second, as Fremont continues to grow, additional infrastructure is added that must be maintained, further stretching the City’s limited maintenance resources. Finally, new requirements result in increased costs. Some of these requirements are voluntary, such as the City’s continued move toward greater environmental sustainability. Although sustainability programs such as improved energy efficiency will eventually save money and reduce greenhouse gas emissions, in the near term there are increased transitional costs. Other maintenance requirements, which are regulatory in nature, have increased dramatically over the last few years, and have added significant costs to City operations.

Budget Overview

Certainly the inability to adequately fund maintenance of the City's infrastructure is a major concern. However, there are pressing needs in other areas of the organization and the community. Below is a partial listing:

UNMET NEED	ADDITIONAL FUNDING NEEDED
<i>Street Maintenance</i> – In order to maintain the current condition of our streets, we need to spend roughly \$15.5 million annually (currently we're spending around \$5 million a year). To increase the PCI to an optimal level of 83, close to \$400 million over 10 years would be needed.	\$10.5 million annually
<i>Deferred Maintenance of Existing Capital Assets (other than streets)</i> – This need has not been quantified. The General Fund had been contributing \$1 million annual to the Capital Improvement Program (CIP), all of which was programmed for maintenance projects. That contribution has halted in FY 2009/10.	\$1 million (at least) annually
<i>Downtown Plan</i> – The General Fund had been contributing \$1 million annually to provide “seed” money for this catalyst project. In FY 2009/10, that amount was decreased to \$500,000.	\$500,000 (at least) annually
<i>Open Fire Station 11</i> – This station is west of I-880 in the Industrial area. As increased development occurs in this area, the need for an operating fire station will become more critical.	\$1.7 million annually
<i>Add 7-10 Police Officers</i> – Public safety has not been spared from budget reductions. These positions were removed from the budget in the last downturn because it was unclear whether they would ever be able to be filled. In order to deal with issues associated with a growing population, positions lost to balance the budget should be restored.	\$1.6 million annually
<i>Other Post-Employment Benefits (OPEB)</i> – The City, like many cities, has made a commitment to its retirees to provide a medical benefit. However, unlike most cities, Fremont's benefit consists of a more modest capped reimbursement of medical premiums (as opposed to providing full medical coverage). The City's current pay-as-you-go expense is \$2.6 million a year. The unfunded liability associated with this benefit is \$71 million, as of June 30, 2011. Savings would be achieved in the long-term if this unfunded liability were paid down over 20 years.	\$3.9 million annually

This is only a partial list, but serves as a reminder that additional resources generated by the General Fund in the coming years are not really surpluses. Instead, they provide a means to begin to chip away at the long list of unmet needs and deferred maintenance that have developed over the years. This will be one of the subjects discussed at the City Council retreat on May 9 and May 11.

Major City Initiatives

Although the City's current economic climate is sobering, affecting the breadth and depth of services offered to the community, there are many important initiatives currently underway. These initiatives are important investments in the community's future and position the City well for long-term growth and stability. Notwithstanding the impacts of budget reductions, City staff must continue to proactively move these important initiatives forward.

Development: There are a number of significant development projects and initiatives underway. These are all important elements of our sales tax diversification strategy.

South Fremont/Warm Springs Area: The South Fremont/Warm Springs area is critically important to the City because of a unique convergence of forces. The Warm Springs BART Station, located just northeast of the Tesla Factory, is scheduled to open in 2015. The Station will enhance intermodal access to local bike routes, and bus lines that serve the entire Bay Area (VTA and AC Transit). By 2016, BART will extend an additional 10 miles to San Jose, connecting Fremont to the rest of Silicon Valley for the first time.

The purchase of the former NUMMI plant by electric car manufacturer, Tesla Motors, has allowed its operations to stay in Northern California. Tesla is producing its Model S sedan in Fremont, with the first vehicles expected to roll off the production line in summer 2012. Tesla also plans to manufacture its Model X sport utility vehicle in Fremont.

Immediately north and south of that facility is 160 acres of former NUMMI land now owned by Union Pacific Railroad (UP). The City and UP have developed a strong partnership and UP is now marketing this property for sale, acknowledging the significant development potential for this area. In addition, there are other vacant and under-utilized parcels in the study area that are poised for transition.



The City has produced a Jobs Recovery Strategy for the Warm Springs area, funded by a U.S. Economic Development Administration (EDA) grant. This strategy includes a series of technical studies and outlines a plan for revitalization of an 850-acre area, which is anchored by the Tesla Factory. The studies included market/economic analyses, land use alternatives, infrastructure and cost analyses, and a financial assessment. Three land use scenarios were studied and show employment growth ranging from 10,000 to 26,000 jobs, and housing development ranging from 0 to 3,900 units. The findings revealed that all scenarios are financially feasible and can accommodate important catalyst projects, such as conference facilities. The City Council accepted these studies in February 2012.

Budget Overview

Building on this strategy, the City initiated outreach efforts to share the findings, generate support, and encourage a sense of urgency for implementation. In April, an interactive focus group with major Warm Springs stakeholders was held that included updated research about employment growth opportunities for the study area. This focus group was followed by a legislative briefing and tour in May, positioning the area to contend for key infrastructure funding, and the Urban Land Institute (ULI) will perform an analysis in June regarding the phasing, design, and public realm investments needed to transform Warm Springs into a regional, transit-oriented jobs center.

With the EDA-funded studies now complete, a Warm Springs Community Plan is now underway, which will incorporate this analysis, a Hazardous Material Assessment of the area, and the results of the City's ongoing stakeholder engagement into a detailed document that will establish a land use plan and accompanying development and design regulations for the area. The Community Plan is expected to be complete in spring 2013.

Downtown/Capitol Avenue: Fremont's future Downtown "spine" will be along Capitol Avenue, connecting two major north/south thoroughfares along a well-designed, pedestrian-oriented, mixed-use corridor. This will provide a much needed gathering space and focal point for the community. The City is finalizing a Community Plan and Design Guidelines aimed at turning this 110-acre, centrally located commercial district into a vibrant mixed-use destination for the community. This district is bounded by Fremont Boulevard, Mowry Avenue, Paseo Padre Parkway, and Walnut Avenue. The ultimate plan calls for development to expand from 1.1 million square feet to 5.2 million square feet, much of which will be additional office (including new, consolidated City offices) and residential uses. Other uses will include retail, entertainment, open space, and cultural arts organized around a main street, Capitol Avenue, which must first be extended to Fremont Boulevard.



In fall 2011, the City completed a Preliminary Financing Plan, which is meant to assist in the implementation of the Downtown vision. It provides a “high level” assessment of the various costs and potential funding sources for elements of the Community Plan. The Financing Plan acknowledges that public and private investments are expected to proceed incrementally and, therefore, key elements or “phases” must be promoted strategically, beginning with the City-initiated streetscape improvements along Capitol Avenue. Various public and private parcels will follow in phases.

Some elements of the overall plan are underway already; for example, the Urban Housing Group is nearing completion of a 300-unit apartment project and TMG Partners is actively partnering with the City to also develop key parcels. In addition, the City is prioritizing the disposition of key land assets in order to finance the Capitol Avenue improvements.

Economic Development:

Retail Centers: Pacific Commons is an 880,000 square-foot regional power center located at I-880 and Auto Mall Parkway. This past year the center has seen significant investment and plans for expansion, as both Nordstrom Rack and Toys R Us/Babies R Us have leased long-vacant, large spaces. In addition, in March, a new lifestyle-oriented phase of Pacific Commons, called The Block, opened. It is a testament to the success of Pacific Commons that The Block ranked as one of the largest retail construction projects under construction in the region, if not the State, in FY 2011/12. The Block consists of a 140,000 square foot Target store, a new, all-digital, 16-screen Century Theaters, and another 120,000 square feet of retail shops, restaurants and other food-oriented businesses that will open in 2013. Unlike the auto-centered power center format of Pacific Commons, The Block will be pedestrian oriented with wide landscaped walkways, and outdoor dining and plaza areas.



Fremont will also soon benefit from some exciting new grocery options. Whole Foods is in the design review and entitlement process with the City to build a 40,000 square foot store at Paseo Padre Parkway and Mowry Avenue. Sunflower Farmers Market is opening this summer in the former Barnes and Noble space in Fremont Plaza. And Fresh & Easy will begin construction soon in the Mowry Landing shopping center on Mowry Avenue near I-880.

This is all encouraging news, reflecting a recovering economy and proof that retail supply is catching up to Fremont’s strong demographics and demand.

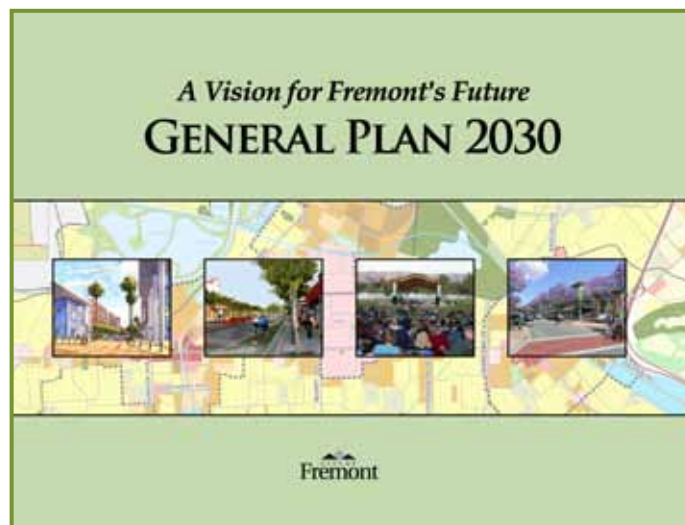
Budget Overview

Emerging Technology and Business Investment: For Fremont's long-term economic health, it is imperative that the City continue to be a leader in Silicon Valley by attracting new businesses, jobs, and investment into the community. To this end, the City remains focused on ensuring that its policies reflect a business-friendly environment.

Every City has one or more industry niches, and for Fremont, a prominent niche continues to be emerging technology. In March 2012, the City Council voted to re-authorize an existing business tax exemption for clean technology businesses and will now also allow biotechnology businesses to benefit from this exemption. These industries represent rapidly growing segments of the economy and have the potential to generate significant employment and revenues for the City. The influx of these businesses helps promote investment in Fremont's business parks, which lowers vacancy rates and maintains property values. Because these firms typically have significant capital expenditures and a relatively long horizon before profitability, up-front costs are very important when they are considering where to locate.

Recognizing that Fremont's diverse economy depends on the success of a broad range of businesses, the City is also has a strong commitment to small businesses. The Office of Economic Development, in partnership with the Fremont Chamber of Commerce, is conducting a comprehensive analysis of Fremont's small business needs. Activities have included a detailed survey and follow-up focus groups to help inform policies with respect to small business assistance.

General Plan Update: State law requires cities to adopt a comprehensive General Plan, which serves as the "constitution" for all future development decisions in the community. In FY 2007/08, the City began working on an update to its General Plan, which was last comprehensively rewritten in 1991. As part of that effort, staff sought extensive community input, completed several technical studies, and held a series of study sessions with the City Council and the Planning Commission on land use policy issues. The draft General Plan was released in November 2010. In FY 2011/12, staff revised the draft General Plan based on comments from the community, and from the Planning Commission and City Council; finalized the accompanying Environmental Impact Report (EIR); and took the Plan and EIR through public hearings before the Planning Commission and City Council. The General Plan Update and EIR were adopted by a unanimous vote of the City Council on December 13, 2011. The Plan calls for Fremont to become "strategically urban" to accommodate future growth.



Redevelopment: As part of the adoption of the FY 2011/12 State Budget, the California State Legislature enacted two trailer bills that significantly modified the California Community Redevelopment Law (“CRL”) and fundamentally altered the future of California redevelopment: ABx1 26 (the “Dissolution Act”) and ABx1 27 (the “Voluntary Program Act”). The Dissolution Act first immediately suspended all new redevelopment activities and incurrence of indebtedness, and dissolved redevelopment agencies, effective October 1, 2011. The Voluntary Program Act then allowed redevelopment agencies to avoid dissolution under the Dissolution Act by opting in to an “alternative voluntary redevelopment program” (the “Voluntary Program”) that required annual contributions to local schools and special districts. The City of Fremont, along with roughly 80% of redevelopment agencies throughout the State, was prepared to participate in the Voluntary Program and, in fact, had adopted a resolution to that effect on July 12, 2011.

Both the California Redevelopment Association and the League of California Cities filed a lawsuit in August 2011, challenging the constitutionality of both ABx1 26 and ABx1 27. The suit was heard directly by the California Supreme Court, which rendered its decision in *California Redevelopment Association v. Matosantos* on December 29, 2011. In that decision, the Supreme Court declared the Dissolution Act to be constitutional and the Voluntary Program Act to be unconstitutional, citing as one of the factors in its conclusion the recent passage of Proposition 22. Thus, under the Dissolution Act, all California redevelopment agencies were dissolved effective February 1, 2012, and the unwinding of the affairs of all former redevelopment agencies began.

This was about the worst possible outcome one could have hoped for. Fremont’s Redevelopment Agency had just completed a plan amendment a year earlier that would have provided funding for a number of important projects for both the community and the region, including construction of a BART station in Irvington. Because property tax increment will no longer be distributed to redevelopment agencies, there is no longer dedicated funding available for these projects. Instead, all local taxing jurisdictions (including the City) will receive their full share of property tax revenue. For Fremont, that additional amount is estimated to be \$5 million annually, once the wind-down of the redevelopment agency is complete.

Capital Projects: Despite the challenges in the City’s General Fund, we continue to work on a variety of major capital projects. These projects can proceed because, for the most part, they do not rely on the City’s General Fund. Rather, their funding comes from such sources as traffic impact fees, and State and regional sources.

Niles Boulevard Bridge Replacement: This Construction of the \$12 million Niles Boulevard Bridge Replacement project, which will replace the seismically deficient bridge over BART and the Union Pacific Railway, will begin in late 2012. Construction will take approximately one year and, with the exception of a portion of the landscaping, is primarily funded by \$10 million of federal Highway Bridge Rehabilitation and Replacement (HBRR) funds. Other sources of funding include State Proposition 1B and State Gas Tax funds.

Community Survey

A community survey is currently underway, to determine the community's satisfaction with current services and identify issues the community would like to have addressed. Results of that survey are not yet available. However, they will be included in the adopted budget document.

Conclusion

Fremont has long prided itself on being a lean organization, making the most of the resources entrusted to us. The prolonged recession has forced us to make hard choices about which services we will provide to the community, and how we will provide them. Fiscal discipline and wise stewardship over many years have made it possible for us to take a balanced approach as we strategically reset our service levels. I would like to thank both the City Council and City staff for the strong partnership that has enabled us to effectively meet the challenges we face.

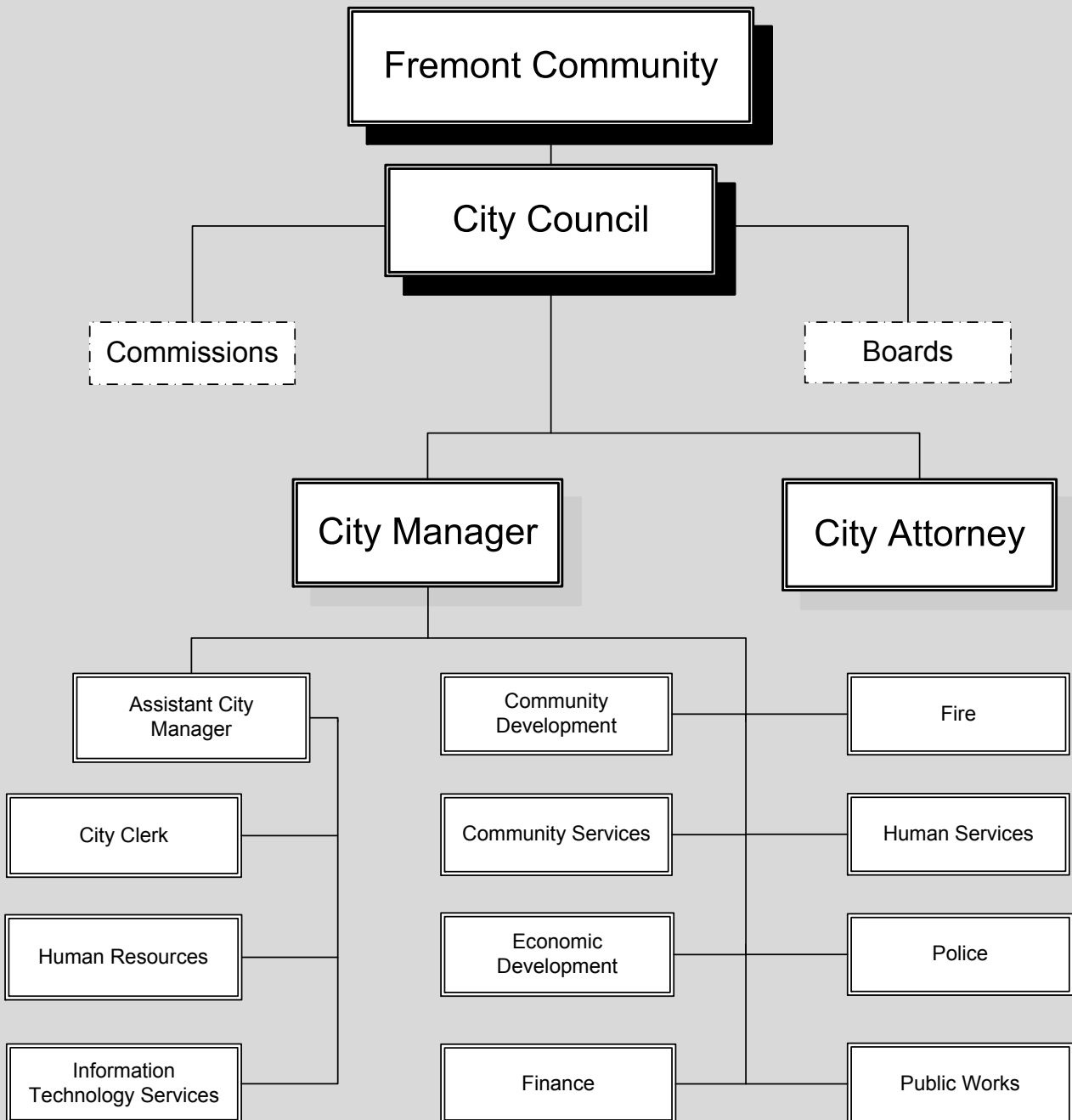


Fred Diaz
City Manager

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Summary Information

City of Fremont Organization Chart Fiscal Year 2012/13



City of Fremont Profile

History

Fremont's rich heritage can be traced to the Ohlones, natives of the land, and to the Spanish priests who established Mission San Jose, the first Spanish mission located inland. Since those early days, Fremont's rich soil, central location, and excellent climate have continued to attract newcomers to this area. In the mid-1840s, John C. Fremont mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. During the Gold Rush era, the Mission area attracted miners headed for the California gold fields. Governor Leland Stanford acquired land in the Warm Springs area, where he planted vineyards and built one of the first wineries in the state. The Niles district made history when the last tracks needed to connect the transcontinental railroad were laid there. Further acclaim came to Niles when Charlie Chaplin filmed "The Tramp" at the Essanay Movie Studio there. In 1853, Washington Township was established and included the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined to form the City of Fremont.

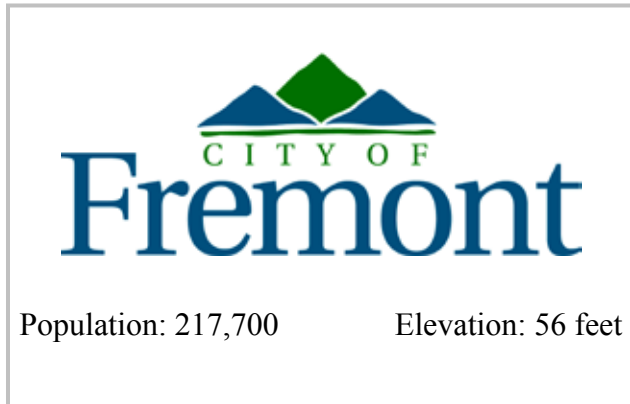


Quality of Life

Fremont, located in southern Alameda County, stretches from the San Francisco Bay to the top of Mission Peak above historic Mission San Jose in the east. With a population of over 217,000, Fremont is the fourth largest city in the San Francisco Bay Area and ranks 95th among the most populous cities in the nation according to the California State Department of Finance. Fremont is approximately 92 square miles in size and includes the 450-acre Central Park and 80-acre Lake Elizabeth, along with 51 other parks, five community centers, and extensive sports facilities. Fremont is also home to the Don Edwards San Francisco Bay National Wildlife Refuge, adjacent to Coyote Hills Regional Park.

Fremont enjoys a high rate of home ownership, a low crime rate, and a quality of life that is considered to be one of the best in the United States. For example, Fremont was rated as the best place in which to raise healthy children in the nation, and Men's Health magazine rated Fremont #1 in the nation for men's health. Fremont residents enjoy a highly rated public education system, low crime rates, and a vast array of recreation, park, and other leisure activities. In addition to beautiful parks and extensive recreational facilities, Fremont is easily accessible to three international airports, several major educational institutions, the Bay Area Rapid Transit (BART) system, and professional sports and cultural opportunities. Fremont is also home to Washington Hospital, a community asset for over 50 years.

Summary Information | City of Fremont Profile



Government

Incorporated January 23, 1956

Fremont is a General Law Council/Manager City governed by a five-member City Council with a directly elected Mayor, all elected at large.

Number of Directly-Elected Mayors (since 1978): 6

Number of City Managers since Incorporation: 7

Full-time Employees FY 2012/13 ¹	
Community Development	61.000
Community Services	94.410
Economic Development	4.000
Fire	153.000
General Government	78.420
Human Services	56.500
Police	282.000
Public Works	110.235
Total	839.565

Demographics

Population	
1956	22,443
1960	43,634
1970	102,321
1980	127,454
1990	173,116
2000	203,413
2011 ²	217,700

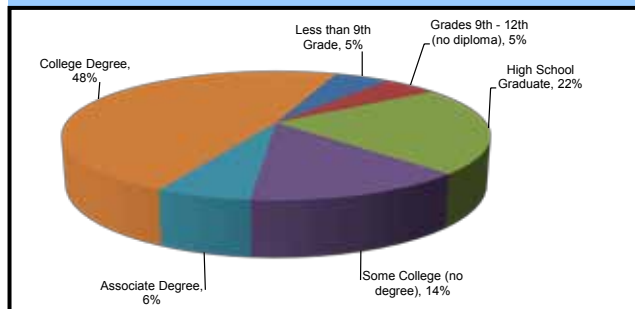
Land Area: 92 square miles

Climate³

Average Temperature: 60°F (15.6°C)

Average Annual Precipitation: 15.19"

Level of Educational Attainment (of people 25 years and older)⁴

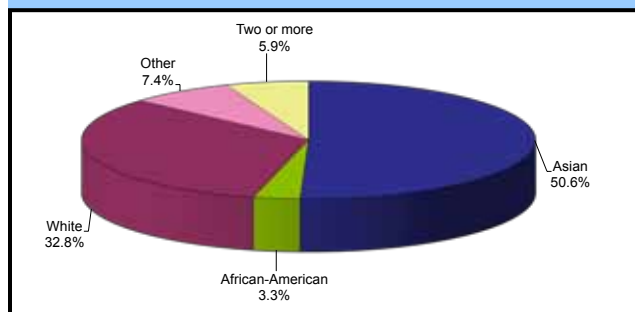


Median Age²: 37

Mean Household Income (2010 projection)⁵: \$106,285

Racial Composition²

(Hispanic/Latino may be of any race)

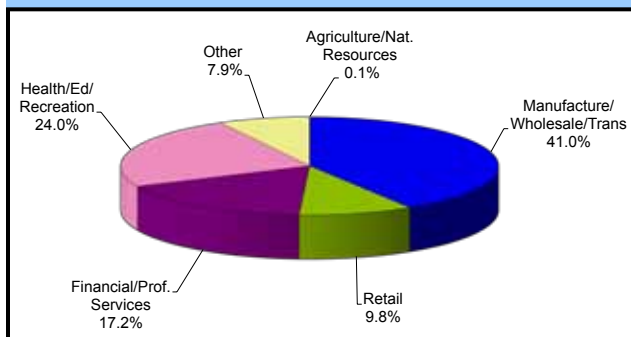


Business

Major Employers (listed in order of number of employees)⁵

Fremont Unified School District (FUSD)
 Washington Hospital
 Boston Scientific/Target Therapeutics
 Western Digital
 Seagate
 AXT Incorporated
 Lam Research Corp
 City of Fremont
 DMS Facility Services, Inc
 Sysco Food Services
 Synnex
 Kaiser Permanente
 Palo Alto Medical Foundation
 Quanta Computer
 Thermo Fisher Scientific
 ESS Technology
 Mattson Technology Inc.
 AsteelFlash
 Alcal Arcade Contracting Inc.
 Mentor Graphics Corporation

Distribution of Jobs by Major Employment Sectors (2009 projection)⁶
 Total Jobs = 94,440



Community Services

City Resources	
Family Resource Center	1
Parks	52
Senior Center	1
Community Centers	5
Fire Stations	11

Education

Fremont Unified School District (FUSD) has:

- 29 elementary schools
- 5 junior high schools
- 6 high schools
- 8 other programs/schools

FUSD Average SAT I Score⁷: 1773

Percentage of FUSD graduates attending⁸:

- University of California: 22.7%
- California State University: 16.4%

Ohlone College is a public, two-year, open-admission community college with an average enrollment of almost 17,000 students per year⁹.

Summary Information | City of Fremont Profile

Services by Other Governmental Units

Education:	Fremont Unified School District and Fremont-Newark Community College District
Flood:	Alameda County Flood Control and Water Conservation District
Parks:	East Bay Regional Park District
Public Transportation:	Bay Area Rapid Transit District, Alameda-Contra Costa Transit District, ACE Train, and Capitol Corridor Train
Sewer:	Union Sanitary District
Gas and Electricity:	Pacific Gas and Electric
Water:	Alameda County Water District

Notes:

- ¹ FY 2012/13 Proposed Operating Budget, City of Fremont
- ² California State Department of Finance
- ³ The Weather Channel
- ⁴ U.S. Census 2010/American Community Survey
- ⁵ City of Fremont, Economic Development Department
- ⁶ Association of Bay Area Governments (ABAG)
- ⁷ California Department of Education
- ⁸ California Postsecondary Education Commission, 2009
- ⁹ Ohlone College, Office of College Relations

All City Funds Schedule

The Summary of All Funds schedule on the following page groups the City's funds into four categories:

- General Fund
- Cost Center/Internal Service
- Special Revenue
- Capital

The first three categories include the City's operating funds, and the last one is a special purpose fund used for capital investments. Funding for most of the City's operations and most of its services comes from the first three fund categories.

The budget for Capital funds is reviewed and adopted by the City Council as part of the Capital Improvement Program (CIP).

The Summary of All Funds schedule consolidates all funds citywide and presents the total available resources and total use of resources, including beginning fund balances, revenues, expenditures, "transfers in," and "transfers out." This consolidation is achieved by eliminating all transfers between funds that are within the same fund category and all internal service fund charge transfers. Such eliminations are similar to those made to produce the City's government-wide financial statements, as mandated by Governmental Accounting Standards Board (GASB) Statement 34. These eliminations avoid the double counting that would otherwise occur if these proposed transactions were shown as either additional transfers or as additional revenues and expenditures. Therefore, the "Total Revenues" and "Total Expenditures" lines for all funds present the true budgeted revenues and expenditures expected to be received and spent by the entire organization.

Please refer to the General Fund section and the Other Funds section of this document for more information.

Summary Information | All City Funds Schedule

Summary of All Funds

(Thousands of Dollars)	Total General Fund	Cost Center/ Internal Service Funds	Special Revenue Funds	Capital Funds	Total All Funds
Revenues					
Intergovernmental:					
Property Taxes	\$ 49,908	\$ -	\$ -	\$ -	\$ 49,908
Property Taxes (VLF Replacement)	15,231	-	-	-	15,231
Triple Flip - Sales Tax Replacement	8,352	-	-	-	8,352
Sales and Use Taxes	25,218	-	917	-	26,135
Vehicle License Fees	-	-	-	-	-
Other Intergovernmental	146	-	7,186	8,380	15,712
Business License Taxes	7,368	-	-	-	7,368
Hotel/Motel Taxes	4,248	-	-	-	4,248
Property Transfer Taxes	950	-	-	-	950
Franchise Fees	8,120	-	-	-	8,120
Charges for Services	4,800	22,719	8,305	-	35,824
Fines	2,288	-	-	-	2,288
Investment Earnings	526	410	41	388	1,365
Paramedic Fees	1,159	-	-	-	1,159
Sale of Bonds	-	-	-	-	-
Other Revenues	1,378	854	1,658	4,863	8,753
Total Revenues	129,692	23,983	18,107	13,631	185,413
Total Transfers In	5,254	4,794	3,358	8,416	21,822
Resources Available: (Revenues plus Total Transfers In)	134,946	28,777	21,465	22,047	207,235
Expenditures					
General Government	11,013	-	-	-	11,013
Police	52,695	-	1,141	-	53,836
Fire	32,185	-	461	-	32,646
Public Works:	-	-	-	-	-
Engineering	-	5,897	-	-	5,897
Traffic Engineering	-	1,948	-	-	1,948
Maintenance	12,912	-	-	1,200	14,112
Community Development:					
Planning	-	4,020	-	-	4,020
Building and Safety	-	4,972	-	-	4,972
Community Preservation	752	-	88	-	840
Housing	-	-	511	-	511
Human Services	-	674	10,691	-	11,365
Community Services	6,525	8,050	6,917	-	21,492
Budget Balancing Strategies	-	-	-	-	-
Non-departmental	3,050	1,023	200	7,442	11,715
Less: Citywide Savings	(750)	-	-	-	(750)
Debt Costs	-	-	783	7,341	8,124
Total Expenditures	118,382	26,584	20,792	15,983	181,741
Total Transfers Out	15,068	4,742	1,157	855	21,822
Resources Used: (Expenditures plus Operating Transfers Out)	133,450	31,326	21,949	16,838	203,563
Net Results of Operations: (Resources Available less Resources Used)	1,496	(2,549)	(484)	5,209	3,672
Use of Budget Uncertainty Reserve	-	-	-	-	-
Beginning Fund Balance - 6/30/12 (est.)	22,912	14,590	12,920	13,335	63,757
Fund Balance - 6/30/13 (est.)	\$ 24,408	\$ 12,041	\$ 12,436	\$ 18,544	\$ 67,429

Citywide Position Changes Overview

The total authorized regular staffing level of 839.565 for FY 2012/13 has decreased by 8.92 full-time equivalents (FTEs) from the FY 2011/12 level. Many departments are operating at their lowest staffing level in over 18 years. Staffing levels for the most basic services – Police, Fire, and Maintenance – will be at their lowest level in over 21 years when Fremont’s population growth during the same period is taken into account.

Although the overall staffing level has decreased, most of the decrease is due to the dissolution of Redevelopment. There are some changes to the distribution of FTEs within the Community Development, IT Services, Police, and Public Works Departments.

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
<u>PUBLIC SAFETY</u>						
Fire	161.00	161.000	152.000	152.500	152.500	153.000
Police	302.00	302.000	287.000	287.000	287.000	282.000
TOTAL	463.00	463.000	439.000	439.500	439.500	435.000
<u>OTHER COMMUNITY SERVICES</u>						
Community Development	108.30	113.500	99.275	98.335	60.750	61.000
Economic Development	4.69	4.675	4.575	3.650	3.650	4.000
Human Services	52.32	52.800	51.800	54.500	54.500	56.500
Public Works	116.15	116.025	103.105	103.230	109.235	110.235
Community Services	67.35	69.350	61.850	61.850	93.430	94.410
Housing and Redevelopment	12.91	13.725	11.925	12.100	12.100	0.000
TOTAL	361.72	370.075	332.530	333.665	333.665	326.145
<u>ADMINISTRATIVE DEPARTMENTS</u>						
City Manager's Office	3.00	2.750	1.750	1.750	1.750	6.800
Administrative Systems Office	4.70	4.700	3.500	4.400	4.500	0.000
City Attorney	10.75	10.500	9.420	9.420	9.420	9.670
City Clerk	5.30	5.300	4.250	4.200	4.200	4.200
Finance	24.75	24.750	21.650	21.650	21.550	21.750
Information Technology Services	21.90	21.900	19.900	19.900	19.900	22.000
Human Resources	17.00	17.000	14.000	14.000	14.000	14.000
TOTAL	87.40	86.900	74.470	75.320	75.320	78.420
CITYWIDE TOTAL	912.12	919.975	846.000	848.485	848.485	839.565

The City Manager’s Office staffing level for FY 2012/13 is 0.55 FTE higher than the FY 2011/12 level. This increase is due to adding 1.0 FTE Management Analyst II, as recommended in the Sustainability Study Action Plan, as well as transferring a portion of the City Manager’s time back from the Office of Housing and Redevelopment budget, due to the dissolution of Redevelopment. This increase is partially offset by a decrease of 1.0 FTE vacant Executive Assistant position that was defunded in FY 2010/11, and will now be eliminated.

Summary Information | Citywide Position Changes

The City Attorney's Office staffing level for FY 2012/13 is 0.25 FTE higher than the FY 2011/12 level. This is due to transferring 0.25 FTE of the City Attorney's time back from the Office of Housing and Redevelopment budget, due to the dissolution of Redevelopment.

The Economic Development Department staffing level for FY 2012/13 is 0.35 FTE higher than the FY 2011/12 level. This is due to transferring 0.35 FTE of staff time back from the Office of Housing and Redevelopment budget, due to the dissolution of Redevelopment.

The Community Development Department staffing level for FY 2012/13 is 0.25 FTEs more than the FY 2011/12 level. The increase is the net result of transferring 0.75 FTE positions back from the Office of Housing and Redevelopment budget, due to the dissolution of Redevelopment, which is partially offset by the transfer of 0.5 FTE position back to the Environmental Services Division of the Community Service Department.

The Community Services Department staffing level is 0.98 FTEs more than the FY 2011/12 level, due to an increase of 0.48 FTEs for the Tiny Tots program in the Recreation Division, as well as an increase of 0.5 FTE resulting from transferring a portion of a position back to the Environmental Services Division from the Community Development Department.

The Finance Department staffing level for FY 2012/13 is 0.20 FTE more than the FY 2011/12 level. The increase is due to transferring 0.20 FTE of the Finance Director's time back from the Office of Housing and Redevelopment budget due to the dissolution of Redevelopment.

The Fire Department staffing level for FY 2012/13 is 0.5 FTE higher than the FY 2011/12 level. The increase will add 0.5 FTE Senior Office Specialist to increase administrative support for the department.

The Human Services Department staffing level for FY 2012/13 is 2.0 FTEs higher than the FY 2011/12 level. This is due to converting two former temporary positions to regular positions due to the stable funding that will support this workload on an ongoing basis.

The IT Services Department staffing level for FY 2012/13 is 2.1 FTEs higher than the FY 2011/12 level. This is the net effect of transferring 3.0 FTEs from the Police Department to the IT Services Department, and increasing an existing GIS Manager position by 0.10 FTE. This 3.1 FTE increase is partially offset by elimination of 1.0 FTE Computer Specialist position, an efficiency made possible by the consolidation of the Police Department IS staff into the IT Services Department.

The Police Department staffing level for FY 2012/13 is 5.0 FTEs less than the FY 2011/12 level. Part of the decrease (3.0) FTEs is due to consolidation of the Police IS staff into the IT Services Department. The remaining decrease of 2.0 FTEs is the result of converting 2.0 FTE police officer positions to overtime, in order to more accurately budget for the overtime needs of the Department.

The Public Works Department staffing level for FY 2012/13 is 1.0 FTE more than the FY 2011/12 level. The increase is due to adding 0.25 FTE to an existing Associate Civil Engineer position, as well as the addition of a new 0.75 FTE Engineering Technician position.

City Debt Summary

Cities have primarily three choices in financing their operations and funding public facilities: pay-as-you-go, debt financing, and public-private ventures. The City has adopted a Long-Term Capital Debt Policy that sets the guidelines for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. The City will consider the issuance of long-term debt obligations only under the conditions outlined in the policy displayed in the Policies & Glossary section of this document. Current and future planned debt payments affecting the operating budget are detailed on the “transfers summary” located in the General Fund section of this budget.

The following charts summarize the City’s existing long-term debt and future debt obligations related to that existing debt.

Debt Outstanding - Fiscal Years Ending 2011 and 2012		
	<u>2011</u>	<u>2012</u>
General Obligation Bonds		
General Obligation Bonds, Election of 2002 Series A	\$ 8,530,000	\$ -
General Obligation Bonds, Election of 2002 Series B	23,950,000	23,380,000
General Obligation Bonds, Election of 2002 Series C	15,725,000	15,435,000
General Obligation Bonds, 2012 refund of Election of 2002 Series A	-	8,165,000
Total General Obligation Bonds	48,205,000	46,980,000
Certificates of Participation - General Fund		
1998 Public Financing Authority	14,080,000	-
2001A Public Financing Authority	28,830,000	-
2001B Public Financing Authority	7,180,000	-
2008 Public Financing Authority (refi of 1990, 1991, 2002, 2003 COPs)	73,745,000	72,325,000
2010 Public Financing Authority	15,000,000	15,000,000
2012A Public Financing Authority (refi of 1998 COPs)	-	12,990,000
2012B Public Financing Authority (refi of 2001A and 2001B COPs)	-	32,125,000
Subtotal	138,835,000	132,440,000
1998 Public Financing Authority (Fremont Family Resource Center)	9,645,000	9,305,000
Total Certificates of Participation	148,480,000	141,745,000
Total Tax Increment Bonds and Certificates of Participation	\$196,685,000	\$188,725,000

Summary Information | City Debt Summary

Annual Debt Service Requirements

	<u>Certificates</u>	<u>Certificates</u>	<u>General</u>	<u>General</u>	<u>General</u>
	<u>of Participation -</u>	<u>of Participation -</u>	<u>Obligation Bonds</u>	<u>Obligation Bonds</u>	<u>Obligation Bonds</u>
	<u>Source of Payment</u>	<u>Source of Payment</u>	<u>Election of 2002</u>	<u>Election of 2002</u>	<u>Election of 2002</u>
	<u>General Fund</u>	<u>Family Resource</u>	<u>Series A</u>	<u>Series B</u>	<u>Series C</u>
FY 2012/13	\$ 6,446,649	\$ 668,592	\$ 276,571	\$ 1,679,285	\$ 1,025,275
FY 2013/14	6,480,843	676,199	541,450	1,692,276	1,027,925
FY 2014/15	6,965,035	682,691	545,150	1,707,941	1,036,375
FY 2015/16	7,000,340	693,736	543,700	1,706,116	1,043,650
FY 2016/17	7,052,801	702,843	542,150	1,707,516	1,049,256
Thereafter	138,291,870	8,802,789	8,606,444	30,092,917	22,659,052
Total Principal &					
Interest	172,237,538	12,226,850	11,055,465	38,586,051	27,841,533
Less Interest	(39,797,538)	(2,921,850)	(2,890,465)	(15,206,051)	(12,406,533)
Total Principal	\$132,440,000	\$ 9,305,000	\$ 8,165,000	\$ 23,380,000	\$ 15,435,000

Legal Debt Margin

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries. In accordance with California Government Code section 43605, only the City's general obligation bonds are subject to the legal debt limit. With \$46,980,000 of outstanding debt subject to the legal debt limit and a legal debt limit of \$4,993,544,488, the City is not at risk of exceeding its legal debt limit.

Computation of Legal Debt Margin as of June 30, 2012

Assessed Valuation (Net) ¹	<u>\$33,290,296,589</u>
Debt Limit: 15% of Assessed Value	\$4,993,544,488
Less Outstanding Debt (Subject to Legal Debt Limit)	<u>46,980,000</u>
Legal Debt Margin	<u>\$4,946,564,488</u>

¹Source: Alameda County-Controller's Office Certificate of Assessed Value, FY2011/12.

Compliance with Long-Term Capital Debt Policy

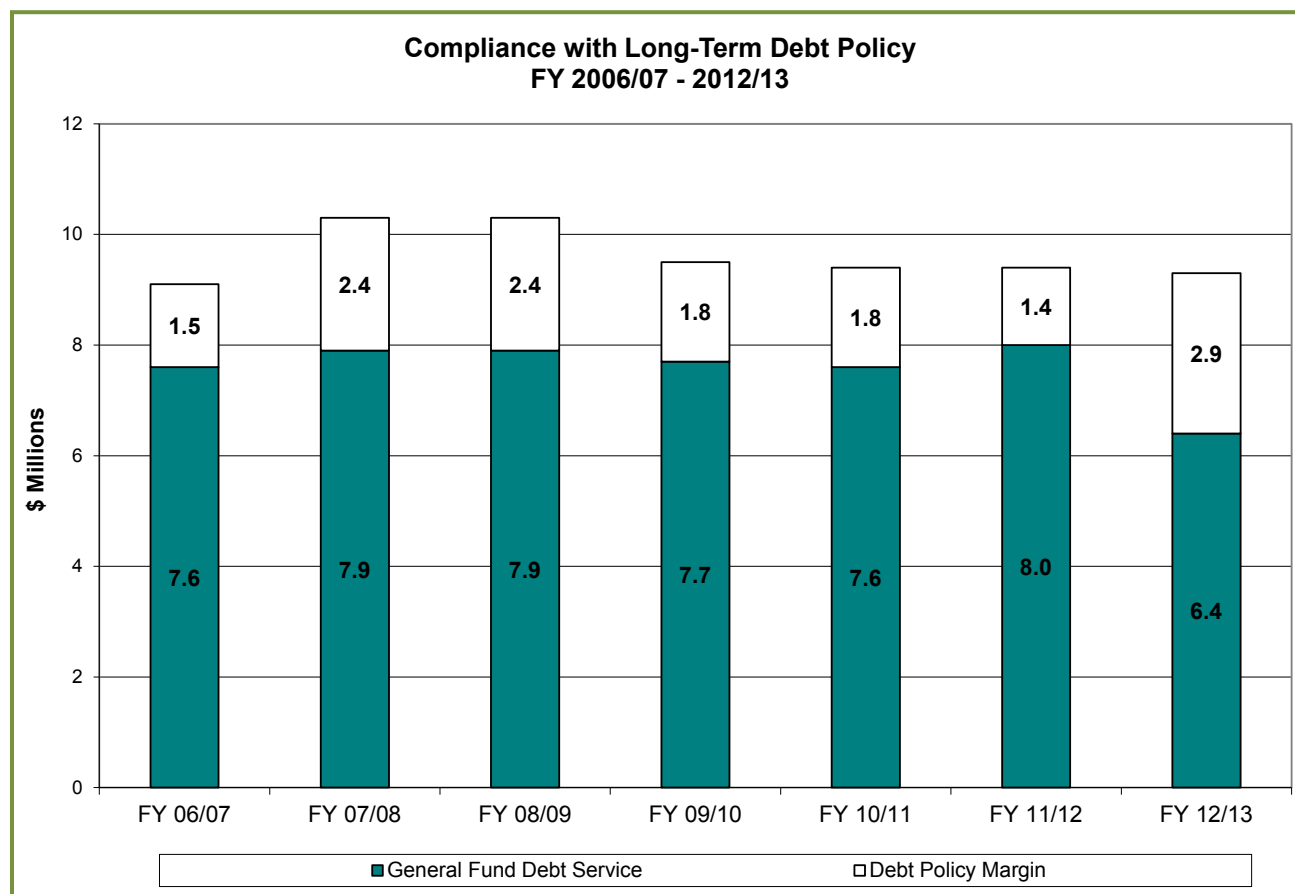
The City of Fremont's Long-Term Capital Debt Policy, adopted by the City Council on May 7, 1996, and revised and readopted with the CIP on July 8, 1998, requires that General Fund supported debt service not exceed 7% of total General Fund budgeted expenditures and transfers out. With FY 2012/13 General Fund supported debt service of \$6,446,649, and a debt level limit of \$9,341,500, the City has not exceeded its debt service limit.

Computation of Compliance with Debt Service Limit

Total General Fund Budgeted Expenditures and Transfers Out	<u>\$133,450,000</u>
Policy Debt Level Limit:	
7% of Total Budgeted Expenditures and Transfers Out	\$9,341,500
Less General Fund Supported Debt Service	<u>6,446,649</u>
Policy Debt Margin	<u>\$2,894,851</u>

Compliance with Long-Term Capital Debt Policy

The City's Long-Term Capital Debt Policy limits General Fund-supported debt to a maximum of 7% of total General Fund budgeted expenditures and transfers out. The City has been in compliance with this policy since it was adopted by the City Council in 1996. The forecast for long-term debt indicates that the City will remain in compliance and will not exceed 7% of total General Fund budgeted expenditures and transfers out. For FY 2012/13, the General Fund-supported debt will be \$6.4 million. Because of the timing of the issuance of debt and the timing of commencement of debt service payments, staff expects the City will continue to be in compliance with the Council's Long-Term Debt Policy.



Gann Limit

Article XIII B of the California Constitution (enacted with the passage of Proposition 4 in 1979, with modifications under Proposition 111 passed in June 1990 and implemented by California Government Code sections 7900, and following) provides the basis for the Gann appropriation limitation. In brief, the City's appropriations growth rate is limited to changes in population and either the change in California per capita income or the change in the local assessment roll due to new, non-residential construction.

The formula to be used in calculating the growth rate is:

$$\begin{aligned} & \frac{\% \text{ change in population} + 100}{100} \\ & \text{times} \\ & \text{either} \\ & \frac{\% \text{ change in per capita income} + 100}{100} \\ & \text{or} \\ & \frac{\% \text{ change in non-residential assessed value} + 100}{100} \end{aligned}$$

The resultant rate times the previous appropriation limit equals the new appropriation limit.

Both the California per capita personal income price factor and the population percentage change factors are provided by the State Department of Finance to local jurisdictions each year. Population percentage change factors estimate changes in the City's population between January of the previous fiscal year and January of the current fiscal year. Reports that present changes in new, non-residential assessed value are provided by the County of Alameda. These numbers provide the basis for the factor to be used in the City's calculation of the Gann Limit. Of the two methods above, the City is using the "per capita personal income" factor because it results in the higher appropriations limit.

On May 1, 2012, the State Department of Finance notified each city of the population changes and the per capita personal income factor to be used in determining appropriation limits. The percentage change in per capita income is 3.77%. The calculation as applied to the City of Fremont for FY 2012/13 is:

The population change on January 1 of the previous year (215,391) compared to the population on January 1, 2012 (217,700) is 2,309, or a 1.07% increase.

The change in per capita personal income is 3.77%.

The factor for determining the year-to-year increase is computed as:

$$\frac{1.07 + 100}{100} \quad \times \quad \frac{3.77 + 100}{100} \quad = \quad 1.0488$$

Summary Information | Gann Limit

Applying this year's factor of 1.0488 to last year's limit of \$508,665,119, the Gann Limit for FY 2012/13 yields \$533,487,977.

Based on an operating budget of \$133,450,000, Fremont is not at risk of exceeding the Gann Limit. The Gann Limit is adopted by the City Council concurrently with the adoption of the FY 2012/13 operating budget.

In FY 2010/11, the City of Fremont engaged Management Partners to conduct a strategic budget sustainability study and develop recommendations that will enable services to be provided within projected resource capacity. As a result of the study, a report was presented containing 33 recommendations to help the City achieve financial sustainability, including recommendations to utilize adopted budget principles in decisions having financial implications, as well as to include performance measurements in the development of the FY 2012/13 operating budget. A list of budget principles and a summary of the first phase of department performance measures are presented on the following pages.

Budget Principles

There are a number of principles noted below that have been used to guide the development of the operating budget. These principles fall into three primary categories: General Fund Preservation, Reduce Cost of Doing Business, and Revenue Generation.

General Fund Preservation

- Maintain a structurally balanced budget
- Spend restricted or non-General Fund resources first
- Do not commit one-time resources to ongoing costs or programs
- Do not issue long-term debt to fund ongoing operating costs
- Maintain adequate reserves – review and update as needed
- Adopt policies that support sustainability
- Regularly monitor financial performance
- Fully recover costs of providing services
- Analyze and adjust fees regularly and incrementally

Reduce the Cost of Doing Business

- Understand what we are required to do versus what we have chosen to do
- Maximize use of grant funding to offset General Fund costs, based on Council priorities
- Streamline and automate processes for efficiency
- Consider alternative service delivery options
- Consider total compensation bargaining
- CIP projects may proceed only if there is sufficient funding for ongoing operating and maintenance costs
- Invest reserves/one-time revenues in capital outlay items that will reduce long-term operating costs and increase efficiency

Revenue Generation

- Continue to pursue new Economic Development opportunities
- Pursue opportunities to maximize revenues
- Maximize administrative and operational efficiencies before pursuing new revenues

Performance Measurement

For FY 2012/13, the City launched the first phase of the performance measurement system, which included the following departments: Community Services, Fire, Human Resources, Information Technology Services, and Public Works. The remaining departments will be phased in over the next year and included in the FY 2013/14 Budget.

Community Services Department

<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i><u>Recreation Programs & Services</u></i>		
Increase registrants by 2% from previous year	FY 11/12 + 2%	TBD
<i><u>Environmental Programs–Integrated Waste Management</u></i>		
Increase waste diversion rate (current 74%)	75%	TBD
<i><u>Environmental Programs–Urban Runoff</u></i>		
Increase number of creek clean-up participants	550	TBD
Increase volume of waste material collected during creek clean-up	7,800 lbs.	TBD

Summary Information | Performance Measurement

Fire Department

<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i><u>Emergency Response</u></i>		
• Percent of time first unit arrives at emergency scene six minutes, forty seconds (6:40) from 911 call	• 90%	• TBD
• Percent of time all units arrive at fire scene eleven minutes, twenty seconds (11:20) from 911 call	• 90%	• TBD
<i><u>Training</u></i>		
• Provide sufficient amount and quality training to maintain operational readiness	• Train 20 hours per person per month	• TBD
• Provide sufficient amount and quality training to maintain required licenses and certifications	• Required licenses and certifications 100% compliant	• TBD
<i><u>Fire Prevention</u></i>		
• Percent of inspections State Fire Marshal (SFM) regulated occupancies	• Complete 50% of SFM regulated occupancies inspected in a given year	• TBD
• Percent of inspections of permitted Hazardous Materials (Haz Mat) facilities	• Complete 33% of Haz Mat Facility and 100% of Underground Storage Tank (UST) inspections in a given year	• TBD

Human Resources Department

<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i><u>Employee Benefits</u></i>		
Cost of benefits as a % of payroll	13%	TBD
<i><u>Labor Relations</u></i>		
Citywide sick leave utilization (leave used as a % of leave accrued)	90%	TBD
<i><u>Employee Services</u></i>		
% of Police Department employees that pass probation	60%	TBD

Information Technology Services Department

<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i><u>Infrastructure Services</u></i>		
Percent of network availability as measured using a monitoring tool uptime algorithm	98%	TBD
<i><u>Business Systems</u></i>		
Percent of service tickets resolved within the stated service level agreements (SLAs) for the type and criticality of each request	85%	TBD
<i><u>Geographic Information Systems</u></i>		
Percent of requests for addressing completed within agreed-upon time frames.	85%	TBD

Summary Information | Performance Measurement

Public Works Department

<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i>Street & Road Maintenance</i>		
Average Pavement Condition Index (PCI) of the entire streets and roads network	PCI of 62	TBD
<i>Fleet Maintenance</i>		
Percent of preventative maintenance repairs performed on-schedule (e.g., completed within two weeks of scheduled service)	70%	TBD
<i>Graffiti Abatement</i>		
Percent of graffiti removal calls responded to within:		
• One business day for Priority 1 graffiti (gang-related or profane)	• 100%	TBD
• One business week for Priority 2 graffiti for all other types	• 60%	TBD

Citywide Goals and Objectives

In 2002, the City Council adopted a Strategic Plan that outlines a vision for the long-term future of Fremont and proposes strategies and short-term goals for achieving the vision. The Plan has three main purposes. First, it communicates the City's vision for the future to residents, businesses, and City employees. Second, it provides guidance so that decisions are good for today's challenges and good for the City in the future. Making decisions in the context of a shared vision developed through collaboration ensures broad commitment to the success of the plan. Finally, the Strategic Plan provides a sound framework for long-term departmental planning.

For budgeting purposes, the long-term desired outcomes and values outlined in the plan have been adapted as citywide goals that support the City Council's vision. The goals are used as a framework for ensuring alignment of department objectives with the City Council's vision. This section of the budget document presents the City Council's vision and goals from the 2002 Strategic Plan and a new goal #12 which was added in 2008. It also includes a matrix that illustrates the alignment of departmental objectives with citywide goals. Department objectives presented here may be abbreviated for format purposes. The full narrative text for each objective is displayed in the Departmental Budgets section of this document.

City Council's Vision

Fremont will be a globally-connected economic center with community pride, strong neighborhoods, engaged citizens from all cultures, and a superb quality of life.

Citywide Goals

1. **Strong community leadership**

City Council, Boards, and Commissions work with the community to create the long-term vision for Fremont and provide policy direction and guidance to the City organization. The City Manager and staff carry out the long-term vision on a daily basis through a variety of services and activities.

2. **A safe community**

People value a feeling of safety and security within their community. In Fremont, residents work together and with City staff to prevent crime and solve problems in their neighborhoods.

3. **A vibrant local economy**

The local economy is comprised of a strong, diversified commercial and industrial base, providing high-quality employment for the region. It is balanced with a strong retail sector and healthy neighborhood commercial districts.

Summary Information | Citywide Goals and Objectives

4. Thoughtful, orderly use of land and protection of environmental resources

The City values a harmonious blend of natural and physical environments, with particular priority for preservation of open space, such as the hillface and bay wetlands. Thoughtful land use and conservation also protect people's social and financial investments in the community.

5. Safe and effective transportation systems

Quality of life is highly dependent on high quality transportation systems, which enable people to get around easily. Alternatives to automobile transportation, such as walking, cycling, and public transit are also valued.

6. Public facilities and programs for recreation

Public facilities provide individual and family entertainment, relaxation, and education. Fremont's public amenities include parks, community centers, historic estates, a golf course, and related programming.

7. Historic character

Preservation of historic properties, neighborhoods, and commercial districts enables the community to adapt to change and embrace a progressive future while remaining true to its heritage and historic character.

8. Building a caring community

Fremont is a community where members care for each other and value services that help families and individuals to live self-sufficiently with a respectable quality of life. The community values a range of housing opportunities balanced with employment opportunities to ensure that people who work in Fremont may also live here.

9. Strong families and healthy children

Fremont is proud of its identity as an excellent place for families and children. The City partners with the school district and other agencies and groups to foster growth in families and provide opportunities for youth development and community involvement.

10. Involvement of a diverse population

Fremont is an inclusive community that welcomes people of all ages, ethnicity, income, and background. The City believes that all segments of the population must be engaged and involved in making community decisions in order to ensure a high quality of life and effective democracy.

11. Effective and efficient city government

The Fremont community wants honest, responsive city government serving the community's interests with progressive, equitable, and fiscally responsible service delivery.

12. Creating an aging friendly community

The City of Fremont will work to create an aging friendly community that is safe and welcoming. The City will promote an environment which values senior participation; a place where information and services are easily available for all seniors; where seniors can be mobile and actively involved; where meaningful exchanges between cultures and generations exist; and, where people come together in support of one another regardless of age.

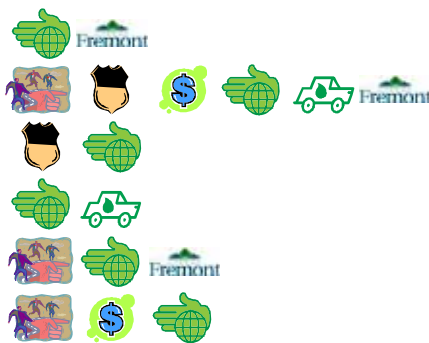
Summary Information | Citywide Goals and Objectives

Objectives Summary

	Strong community leadership		Historic character
	A safe community		Building a caring community
	Vibrant local economy		Strong families and healthy children
	Thoughtful, orderly use of land and protection of environmental resources		Involvement of a diverse population
	Safe and effective transportation systems		Effective and efficient city government
	Public facilities and programs for recreation		Creating an aging friendly community

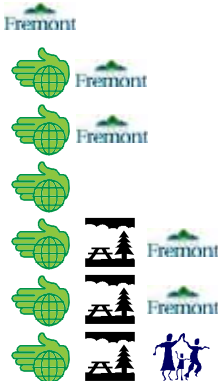
COMMUNITY DEVELOPMENT DEPARTMENT:

- 1 Replace the current permitting software system with a robust land use/permitting system to better manage information.
- 2 Update the Zoning Code to be consistent with the General Plan.
- 3 Adopt updates and amendments to the Building Code by January 1, 2013.
- 4 Adopt and implement a revised sign ordinance by January 2013 to reduce urban clutter and improve traffic safety.
- 5 Begin implementation of a Climate Action Plan, laying out specific steps for meeting the City's greenhouse gas emission reduction target.
- 6 Adopt the Downtown District Community Plan and Design guidelines.



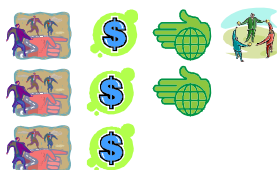
COMMUNITY SERVICES DEPARTMENT:

- 1 Complete Phase II of the landscape and park maintenance outsourcing plan, including completing a park inventory and RFP by July 2013.
- 2 Convert irrigation controllers to weather-based controllers at community parks and neighborhood parks to reduce maintenance costs.
- 3 Evaluate street sweeping and storm drain vactoring programs to identify changes that could improve program effectiveness and water quality.
- 4 Implement a plastic bag ban, effective January 2013, which will reduce the environmental impacts of single use plastic bags.
- 5 Upgrade one and establish two new group picnic facilities in Central Park to meet demand and increase rental revenues.
- 6 Conduct a feasibility study and determine next steps for an indoor sports facility concept.
- 7 Complete design and construction of a one-acre Skate Park facility.



ECONOMIC DEVELOPMENT DEPARTMENT:

- 1 Leverage South Fremont/Warm Springs planning efforts by proactively marketing the district to a wide range of stakeholders.
- 2 Facilitate Downtown development by engaging a master developer and negotiating terms for mixed-used projects on targeted sites.
- 3 Expand marketing efforts with the design of a new visitor and dining guide and companion mobile "app" to promote Fremont









The above are summaries of the full statement of each goal which may be found in the respective department's subsection of the Department Budgets section of this document.














Objectives Summary

	Strong community leadership		Historic character
	A safe community		Building a caring community
	Vibrant local economy		Strong families and healthy children
	Thoughtful, orderly use of land and protection of environmental resources		Involvement of a diverse population
	Safe and effective transportation systems		Effective and efficient city government
	Public facilities and programs for recreation		Creating an aging friendly community











ECONOMIC DEVELOPMENT DEPARTMENT:

- 4 Collaborate with the Fremont Chamber of Commerce to survey the small business community about the most effective ways to provide support for marketing and education efforts.   
- 5 Attract and retain emerging technology businesses and reduce industrial vacancy rate with assistance of various business programs.   

FIRE DEPARTMENT:

- 1 Complete the fourth and final phase of the Apparatus Replacement Plan.  
- 2 In partnership with Fremont Police Department, continue evaluating possible consolidation of dispatch services for Police and Fire.  
- 3 In partnership with Alameda County, develop a new quality improvement program in order to improve patient care and outcomes.   
- 4 Conduct a Battalion Chief Career Development Program to prepare staff for future leadership roles. 
- 5 Work to clean-up contaminated sites within the former Redevelopment Project Areas to return the sites to productive land uses.     

HUMAN SERVICES DEPARTMENT:

- 1 Consistent with the City Council's vision for an aging friendly community, provide senior services at the new Cottonwood Senior Housing facility.  
- 2 Continue to build a comprehensive SparkPoint program at the FRC to work with clients to improve their credit and build their assets.  
- 3 Complete the final pilot year of the "Our Kids Our Families" program and evaluate the sustainability of the financial model at additional schools.  
- 4 Partner with the Alameda Alliance for Health to insure older Tri-City residents on Medi-Cal and Medicare get their needs addressed resulting from service changes to Alameda County's Dual Eligible Demonstration project.  
- 5 Work with other City departments to fund eligible City programs or projects with Community Development Block Grant funds.  

The above are summaries of the full statement of each goal which may be found in the respective department's subsection of the Department Budgets section of this document.

Summary Information | Citywide Goals and Objectives

Objectives Summary



Strong community leadership



A safe community



Vibrant local economy



Thoughtful, orderly use of land and protection of environmental resources



Safe and effective transportation systems



Public facilities and programs for recreation



Historic character



Building a caring community



Strong families and healthy children



Involvement of a diverse population



Effective and efficient city government



Creating an aging friendly community

POLICE DEPARTMENT:

- 1 Upgrade the in-car video equipment to give more opportunities to provide digital evidence for criminal actions and increase public transparency.
- 2 Evaluate the new rotating 4/10 patrol schedule that was implemented in order to reduce patrol operations costs and preserve service level quality.
- 3 Implement phase two of the Crossroads software and hardware project, which will generate a digital copy of collision reports.
- 4 Continue the evaluation of consolidating dispatch centers with Union City, Newark, and the Fremont Fire Department.
- 5 Expand the CARE/HAPP Volunteer program to implement the "You Are Not Alone Program" and expand handicapped parking enforcement.



Fremont



Fremont



Fremont



Fremont



Fremont

PUBLIC WORKS DEPARTMENT:

- 1 Work with BART and other transportation partners to secure Fremont's interests related to the BART extension to Warm Springs and the Silicon Valley.
- 2 Bid and complete an energy conservation project replacing the existing high-pressure sodium street lights with more energy efficient LED lights.
- 3 Prepare a Real Estate Asset Management Program to more effectively value and manage City-owned real property assets.
- 4 Coordinate with PG&E on the replacement of the high pressure gas pipeline 107, including decommission of line 131 and other improvements.
- 5 If the Measure B3 Transportation Sales Tax is passed, work with the ACTC to get Fremont's priority project(s) included in the first ACTC CIP for early funding.
- 6 In partnership with the Finance Department, study the internal service fund concept for fleet services.



Fremont

Fremont



Fremont

The above are summaries of the full statement of each goal which may be found in the respective department's subsection of the Department Budgets section of this document.

Objectives Summary

	Strong community leadership		Historic character
	A safe community		Building a caring community
	Vibrant local economy		Strong families and healthy children
	Thoughtful, orderly use of land and protection of environmental resources		Involvement of a diverse population
	Safe and effective transportation systems		Effective and efficient city government
	Public facilities and programs for recreation		Creating an aging friendly community

ADMINISTRATIVE DEPARTMENTS:

- 1 Continue to implement the Strategic Fiscal Sustainability Study Action Plan throughout the next few years and ensure timelines are met.
- 2 Launch a performance measurement system throughout the remaining City departments by June 2013.
- 3 Continue to enhance the City's legislative advocacy efforts.
- 4 Develop and launch a civic engagement process to inform and engage residents on City programs, services, and the City's fiscal environment.
- 5 Manage and lead key City initiatives including: Warm Springs development, Downtown Plan, Regional Partnerships, and Organizational Development.
- 6 Complete the recodification of the Fremont Municipal Code into a more user-friendly and accessible format.
- 7 Assist the Community Development Department with the update of the City's Zoning Code by June 2014 to implement the new General Plan.
- 8 Continue to support goals and objectives of all City departments by providing legal advice and document preparation and review.
- 9 Administer the November 6, 2012 General Municipal Election.
- 10 Streamline the Council Agenda Format and Council Memo Format to ensure transparency and remove redundancy.
- 11 Monitor the changing postal service environment and accommodate changes as needed to the mail room during the fiscal year.
- 12 Continue to coordinate the purchase of a software service to manage streaming content for City Council and Planning Commission meetings.
- 13 Work with City departments to review and update each department's Records Retention Schedule by June 2013.
- 14 In partnership with Finance, Human Resources, and IT Services, implement the migration of the City's financial application to improve functionality, reliability, and integration with other City systems.
- 15 In partnership with IT Services, evaluate options and schedule an upgrade to the software for the City's Business License application.
- 16 Complete the Master/User Fee Study and develop a Cost Allocation Plan to account for the true cost of providing City services.
- 17 Conduct a review of current City-issued cell phones and their usage to better manage cell phone-related costs.
- 18 In partnership with the Finance and Public Works Departments, study the internal service fund concept for fleet services.

The above are summaries of the full statement of each goal which may be found in the respective department's subsection of the Department Budgets section of this document.

Summary Information | Citywide Goals and Objectives

Objectives Summary

	A safe community		Building a caring community
	Vibrant local economy		Strong families and healthy children
	Thoughtful, orderly use of land and protection of environmental resources		Involvement of a diverse population
	Safe and effective transportation systems		Effective and efficient city government
	Public facilities and programs for recreation		Creating an aging friendly community

ADMINISTRATIVE DEPARTMENTS:

- | | |
|--|---|
| <p>19 Develop a marketing strategy and outreach campaign to encourage more businesses to use the City's online business license renewal option.</p> <p>20 In partnership with Human Resources and IT Services, implement PeopleSoft self-service access to HR and benefit information to increase efficiencies.</p> <p>21 Develop a program to provide training for first line supervisors and managers to improve or solidify best work practices by Spring 2013.</p> <p>22 Continue to evaluate and implement Human Resources-related recommendations presented in the Strategic Fiscal Sustainability Study.</p> <p>23 Negotiate new bargaining agreements with nine bargaining units to meet City Council objectives by June 30, 2013.</p> <p>24 Develop and implement an employee engagement program to foster employee satisfaction and maintain Fremont as a desirable employer.</p> <p>25 Develop and implement an employee performance management program to set and maintain performance standards.</p> <p>26 Continue the project to replace the current permitting system with a more robust land use/permitting system and begin use in FY 2013/14.</p> <p>27 Upgrade and/or replace the GIS online application to improve usability and public access to data.</p> <p>28 Implement a new e-mail system including hardware and infrastructure to improve electronic communications for end users.</p> <p>29 To ensure business continuity, enter into an agreement to establish a redundant disaster recovery site to replicate and store the City's critical data.</p> | 






















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The above are summaries of the full statement of each goal which may be found in the respective department's subsection of the Department Budgets section of this document.

General Fund

General Fund Summary

The General Fund is the City's primary operating fund. It accounts for the majority of financial resources and outlays for basic services such as police, fire, and maintenance, as well as the administrative systems required to support them. The fund also accounts for the City's discretionary funding sources (e.g., property tax, sales tax, franchise fees, and business license tax). As a rule, General Fund resources are used only to fund operations that do not have other dedicated (restricted) funding sources. Operations that rely heavily on non-General Fund resources, such as land development, recreation, and human services, are accounted for in other funds. Information on these operations may be found in the Other Funds section of this document.

Since mid-2001, the City's budgeting environment has been characterized by tremendous uncertainty. The recession in the high-tech sector of the economy and State resource takeaways caused a 10% decline in General Fund revenues between FY 2000/01 and FY 2003/04. Meanwhile, the demand for City services and the costs of providing them continued to increase. City governments can only spend available resources. These factors combined to prompt budget and staffing reductions of more than 20% since FY 2002/03. Budget reductions of this magnitude necessarily resulted in service reductions in all areas. In FY 2007/08, it looked as though revenues were beginning to recover, and some much-needed public safety positions were added. Those revenue recoveries, however, were short-lived as the local, State, and national economies continued to feel the effects of the national mortgage and financial crises. Now, at last, it appears that the worst may be over and the economy is finally starting to stabilize.

Although California unemployment continues to be high (11.0% in March 2012), it has declined significantly from a year earlier, when it was 11.9%, and California's unemployment rate continues to be higher than the national unemployment rate of 8.2%. In Alameda County, the unemployment rate in March 2012 was 9.7%. In Fremont, the rate was considerably lower, at 7.0%. The Budget Overview section of this document provides more information on the recent challenges facing not only Fremont, but the broader region and State as a whole. This section provides information on the FY 2012/13 General Fund budget, including budget assumptions, expenditure and revenue highlights, transfers to other funds, reserve funds, and the financial forecast.

The FY 2012/13 budget displayed in the table on the next page demonstrates the City's transition during these challenging economic times. As a result of the measures taken over the past year with the Strategic Fiscal Sustainability Study and Council-adopted Action Plan, the cost of providing services is projected to remain within ongoing revenues in FY 2012/13, providing for the first structurally balance budget since FY 2006/07.

Revenues are estimated to increase slightly by 1.1% in FY 2011/12 (as compared to FY 2010/11). This is the second year of revenue growth, after two consecutive years of revenue declines. The measures taken in prior years have greatly reduced the City's ongoing costs, although the City will continue to face significant challenges, particularly because of the effects on CalPERS employer rates as a result of two years of significant investment losses incurred by CalPERS. However, because of the actions taken to move towards strategic sustainability, the City will not require use of the Budget Uncertainty Reserve to balance the FY 2012/13 budget.

General Fund | General Fund Summary

General Fund

(Thousands of Dollars)	General Fund	Contingency Reserve	Program Investment Reserve	Budget Uncertainty Reserve	Eliminating Internal Transfers	Total General Fund
Revenues:						
Intergovernmental:						
Property Taxes	\$ 49,908	\$ -	\$ -	\$ -	\$ -	\$ 49,908
Property Taxes (VLF Replacement)	15,231	-	-	-	-	15,231
Triple Flip - Sales Tax Replacement	8,352	-	-	-	-	8,352
Sales and Use Taxes	25,218	-	-	-	-	25,218
Vehicle License Fees	-	-	-	-	-	-
Other Intergovernmental	146	-	-	-	-	146
Business License Taxes	7,368	-	-	-	-	7,368
Hotel/Motel Taxes	4,248	-	-	-	-	4,248
Property Transfer Taxes	950	-	-	-	-	950
Franchise Fees	8,120	-	-	-	-	8,120
Charges for Services	4,800	-	-	-	-	4,800
Fines	2,288	-	-	-	-	2,288
Investment Earnings	526	-	-	-	-	526
Paramedic Fees	1,159	-	-	-	-	1,159
Other Revenues	1,378	-	-	-	-	1,378
Total Revenues	129,692	-	-	-	-	129,692
Total Transfers In	5,254	-	-	-	-	5,254
Resources Available: (Revenues plus Total Transfers In)	134,946	-	-	-	-	134,946
Expenditures						
General Government	11,013	-	-	-	-	11,013
Police	52,695	-	-	-	-	52,695
Fire	32,185	-	-	-	-	32,185
Public Works:						
Engineering	-	-	-	-	-	-
Traffic Engineering	-	-	-	-	-	-
Maintenance	12,912	-	-	-	-	12,912
Community Development:						
Planning	-	-	-	-	-	-
Building and Safety	-	-	-	-	-	-
Community Preservation	752	-	-	-	-	752
Housing	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Community Services	6,525	-	-	-	-	6,525
Non-departmental	3,050	-	-	-	-	3,050
Less: Citywide Savings	(750)	-	-	-	-	(750)
Total Expenditures	118,382	-	-	-	-	118,382
Total Transfers Out	15,068	-	-	-	-	15,068
Resources Used: (Expenditures plus Operating Transfers Out)	133,450	-	-	-	-	133,450
Net Results of Operations: (Resources Available less Resources Used)	1,496	-	-	-	-	1,496
Beginning Fund Balance - 6/30/12 (est.)	-	14,642	3,660	4,610	n/a	22,912
Fund Balance - 6/30/13 (est.)	\$ 1,496	\$ 14,642	\$ 3,660	\$ 4,610	n/a	\$ 24,408

NOTE: 1) The only General Fund costs displayed in this chart for Community Development are for Community Preservation. Other department costs are displayed in the Other Funds section of this document. 2) Recreation activities are funded in the Recreation Cost Center with a combination of General Fund and fee revenues. Department costs can be found in the Cost Center/Internal Service section of this document. 3) The amounts represented under General Fund for Public Works and Community Services are for the Maintenance Division's General Fund expenditures only.

Budget Assumptions

In addition to the general assumptions of continuing volatility, slow recovery and State budget instability, the FY 2012/13 budget is premised upon the following specific assumptions:

- 1. Because of the long, slow nature of this economic recovery, further sustainable budget reductions are proposed, resulting in a budget that is only 0.7% more than estimated actual expenditures the year before. When compared to the FY 2011/12 adopted budget, there is actually an expenditure decrease of 0.5%.**

Although leading economists generally agree that the recession has ended, there is also consensus that it will be a long, slow recovery. The significant reductions made from FY 2009/10 through FY 2011/12 were successful in bringing the organization to a sustainable level. The FY 2012/13 budget is balanced with a combination of sustainable budget strategies, and for the first time in four years, no use of reserves.

- 2. The local economy will generally hold steady and improve slightly during FY 2012/13, resulting in total General Fund resources (revenues and transfers in) increasing by 4.1% over estimated actual resources in FY 2011/12. A portion of this increase is due to an estimated additional \$3 million in property tax in FY 2012/13 as a result of the winding down of the City's redevelopment agency. When that estimated additional property tax is factored out, the increase in General Fund resources is a more modest 1.8%.**

Ongoing resources reflect the revenue "base" that continues from year to year, excluding one-time resources and losses. This modest increase is attributable primarily to an increase in sales tax revenues. Partially offsetting that rate of increase is projected slower growth in property tax revenue related to continued stagnant sales prices on property transfer transactions in recent months and the reassessment of the former NUMMI and Solyndra properties. Most other categories of revenue are projected to have modest increases or remain flat. Business taxes are expected to decline slightly from a spike in construction tax revenue in FY 2011/12. When looking at just revenues (as opposed to revenues and transfers in), the FY 2012/13 anticipated revenues are 4.3% more than the revenue estimates for FY 2011/12. When the estimated additional property tax in FY 2012/13 is factored out, the increase is 1.9%.

- 3. The FY 2012/13 adopted budget is premised on continuing implementation of the Council-adopted Strategic Fiscal Sustainability Action Plan, which includes identifying areas for further reductions and alternative service delivery savings. Staff will continue to move forward with cost savings strategies and adjust the budget as necessary during the fiscal year.**

In FY 2011/12, staff undertook a strategic fiscal sustainability study with an experienced, public sector-focused management consultant to take a targeted look at City operations. Four main categories were identified for major budget development strategy:

- Reduction in overall employee compensation expenses;
- Transition to alternative service delivery models;
- Reduction or elimination of services to the community; and,
- Revenue enhancements.

More information about these efforts can be found in the Budget Overview section of this document.

- 4. The costs of the FY 2012/13 budget will be covered by projected resources, without requiring the use of reserves to balance the budget.**

Instead of spending all of the revenue received during the “boom” years of the late 1990s, the City set aside a portion of annual revenues in its General Fund fund balance for use in future years. Since the City began cutting the budget in FY 2002/03, it has metered in fund balance annually as a resource to smooth the transition to a lower revenue base. That fund balance was exhausted at the end of FY 2008/09, and the use of the Budget Uncertainty Reserve was required to balance the budget in the following four years. Due to cost-cutting measures and successful negotiations with our employees, the City’s structural budget gap has been eliminated, and no use of reserves will be needed to balance the FY 2012/13 budget.

- 5. The State-mandated dissolution of the City’s Redevelopment Agency means that some shared costs will now become the full responsibility of the City. Property tax increment that had been committed to the Redevelopment Agency will now be distributed to all taxing jurisdictions in the same manner as regular property taxes.**

As a result of the California Supreme Court’s decision in *California Redevelopment Association v. Matosantos* on December 29, 2011, all California redevelopment agencies were dissolved effective February 1, 2012, and the unwinding of the affairs of all former redevelopment agencies began. Approximately \$350,000 in costs had been shared between the City General Fund and the Redevelopment Agency, and those costs will now be borne entirely by the General Fund. In addition, because property tax increment will no longer be distributed to redevelopment agencies, all local taxing jurisdictions (including the City) will receive their full share of property tax revenue. For Fremont, that additional amount is estimated to be \$5 million annually, once the wind-down of the redevelopment agency is complete. Because the wind-down process is still in progress, the amount of additional property tax to be received in FY 2012/13 is estimated to be \$3 million.

- 6. Total expenditures in the FY 2012/13 budget include a savings assumption of \$750,000 (approximately 0.6% of total budgeted expenditures in FY 2012/13) to compensate for the historical tendency to under-spend total allocated resources because of things like salary savings from vacant positions. In addition, there is also a savings assumption of \$925,000 to offset the additional appropriations required with respect to the City’s variable rate debt, in accordance with debt covenants.**

Managers continue to hold positions vacant and restrain operational costs wherever possible. The City’s variable rate debt costs also are often less than the budgeted amount (which is computed in accordance with debt covenants). Consequently, the City’s actual expenditure totals each year are consistently at least \$1.7 million less than budgeted. Building an assumption for savings into the budget helps to ensure that projections for year-end results are more accurate from the outset than they might otherwise be.

- 7. The FY 2012/13 budget does not include any prefunding of the City's other post-employment benefit (OPEB) liabilities, nor does it include any contribution to capital projects. Funding for these items will not be included in the budget until such time as the economic situation has stabilized and sufficient resources are once again available.**

As part of the savings strategy implemented in December 2007, the City Council approved not proceeding with the transfer to begin prefunding the City's OPEB liability. The City currently spends around \$2.6 million annually to fund these benefits on a pay-as-you-go basis. An actuarial valuation as of June 30, 2010, placed the value of the unfunded liability at June 30, 2010 at \$71 million. To fully fund this liability and pay-off the unfunded liability, we would need to set aside 9.9% (\$5.5 million) of payroll annually, and this percentage will grow the longer we defer the start of prefunding this liability. As for capital projects, the adopted FY 2011/12 through FY 2015/16 Capital Improvement Program does not include any transfers (historically \$1 million per year) for general capital projects for FY 2011/12 or FY 2012/13. As economic conditions begin to improve, consideration will again be given to funding these two items.

- 8. The General Fund's primary reserves, which total 12.5% of total expenditures and transfers out, will remain intact for FY 2012/13 and, when the Budget Uncertainty Reserve is included, the City's reserve level is 17.2%. This exceeds both the Council's 12.5% policy level and the 16.7% level recommended by GFOA.**

The City maintains two General Fund reserves whose funding is linked to total budgeted expenditures and transfers out: the Contingency Reserve and the Program Investment Reserve. Balances and potential use of the Contingency Reserve and the Program Investment Reserve are governed by City Council policies adopted with the FY 1996/97 budget and modified with the FY 2009/10 budget. The Contingency Reserve is intended to mitigate the effects of natural disasters or other severe unforeseen events, as well as providing back-up liquidity to the Risk Management Fund, and is to be maintained at 10% of total operating expenditures and transfers out. The Program Investment Reserve is available to provide seed funding for new initiatives that will generate ongoing external revenues; it is to be maintained at 2.5% of total operating expenditures and transfers out.

Resources

General Fund resources include revenues, transfers into the General Fund from other funds, and undesignated fund balance. Total budgeted resources will be adequate to support total budgeted expenditures of \$133.5 million, so the budget is considered balanced. For the first time in four years, there is no need to use reserves to balance the budget.

Property taxes are projected to remain the City's largest revenue source in FY 2012/13. Property tax revenue the City will receive in FY 2012/13 is based on property assessed valuation as of January 1, 2012. Residential property values comprise two-thirds of Fremont's property tax base, and they have historically provided a measure of stability to Fremont's property tax revenue. However, in FY 2010/11, the former NUMMI property (consisting of three parcels) was sold to Tesla Motors (one parcel) and Union Pacific Railroad (two parcels). Both sales were at less than assessed value, and they are both being carefully reviewed by the County Assessor.

General Fund | General Fund Summary

In addition, although the 2% inflationary adjustment to assessed value permitted by Proposition 13 was applied to the assessed roll, stagnant and slightly decreasing sales prices, coupled with the reduction in value of the former Solyndra property, is causing the City's assessed valuation, and therefore property tax, to remain flat for FY 2012/13. However, an estimated \$3 million in additional property tax is expected to be received in FY 2012/13 because of the wind-down of the City's Redevelopment Agency. Total property tax revenue in FY 2012/13 is estimated to increase 5.4% compared to the prior year, but only 0.5% compared to the prior year when the \$3 million is excluded from the calculation. Therefore, property tax revenues are projected to increase in FY 2012/13, to \$65.1 million, accounting for 47% of budgeted General Fund resources.

Table #1: Change in General Fund Resources
FY 2011/12 to FY 2012/13 (\$ millions)

<u>Revenues</u>	<u>FY 2011/12</u> <u>Estimated Actual</u>	<u>FY 2012/13 Budget</u>	<u>Difference</u>
Property taxes	\$46.7	\$49.9	\$3.2
Property taxes - VLF replacement	15.2	15.2	0.0
Sales and use taxes	24.2	25.2	1.0
"Triple flip" sales tax replacement	8.0	8.4	0.4
Vehicle license fees (VLF)	0.1	0.0	(0.1)
Business license taxes	7.4	7.4	0.0
Franchise fees	8.1	8.1	0.0
Hotel/motel taxes	3.8	4.2	0.4
Investment earnings	0.5	0.5	0.0
Other revenues	10.3	10.8	0.5
Ongoing revenues subtotal	124.3	129.7	5.4
Recurring transfers in	5.3	5.2	(0.1)
Total Budgeted Resources	\$129.6	134.9	\$5.3

Table #1 includes a line for "other revenues," which contains charges for services, law enforcement fines, paramedic tax, property transfer tax, and State reimbursements for mandated services. There is a modest assumption of growth for these various items in FY 2012/13. State reimbursements for mandated services are anticipated to remain at a low level, at least for the next fiscal year. The State reimburses cities for these costs as it has money to do so. As a result, even though the City has a receivable due from the State for these costs of \$2.3 million, it is very difficult to predict when or if that reimbursement will be received.

Sales tax revenues in FY 2011/12 are coming in at 2.8% more than was anticipated at the time of adoption of the FY 2011/12 budget. The holiday sales tax quarter (ended December 2011) showed a significant (9.7%) increase in sales tax revenues, giving us reason to believe that we are finally seeing the beginning stages of economic recovery. The City's sales tax revenue comes to the City in two parts: 75% from the traditional share of the sales tax paid on consumer purchases, and 25% from the "triple flip" property tax replacement revenue. The "triple flip" refers to the State's mechanism for financing its 2004 Economic Recovery Bonds, whereby the State receives 25% of cities' sales tax revenue in exchange for an equal amount of additional property tax. The amount of property tax replacement revenue is equal to 25% of "regular" sales tax revenue generated in the prior fiscal year. For FY 2012/13, sales tax and triple flip revenue combined account for 25% of General Fund budgeted resources.

Hotel/motel tax revenues were rocked by the Silicon Valley recession, then again by the current recession. While not the City's largest revenue source, hotel/motel taxes declined by the largest percentage, a staggering 60%, between FY 2000/01 and FY 2003/04. This decline is the most striking, and perhaps most symbolic, example of revenue volatility stemming from the downturn in the economy during the "dot-com" bust. Although the hotel market seemed to have stabilized early in 2008, the recession manifested itself in a marked decline in both room rates and occupancy rates. A bright spot in this revenue source occurred when the voters passed Measure MM, increasing the City's transient occupancy tax rate from 8% to 10%, effective January 1, 2009. FY 2010/11 was the first full year of collections at the 10% rate, and the FY 2011/12 projection is for an increase in this revenue of 10.6%, based on both increasing room rates and occupancy rates. The FY 2012/13 projection is for 10.5% growth, which would result in \$4.2 million in revenue, representing 3% of General Fund budgeted resources.

Business license taxes remain relatively stable, with variations up or down each year based on the economic climate, business activity, and the results of staff's collection efforts. Business license taxes are projected to yield \$7.4 million in both FY 2011/12 and FY 2012/13, accounting for 6% of General Fund budgeted resources.

The City levies franchise fees on providers of electricity, natural gas, residential garbage and cable television services. Franchise fee revenues are based on franchisee gross revenues, which are largely a function of rates and customer usage. Electricity and gas franchise fees are the most volatile, and have the largest effects on City revenues. In recent years, garbage fee revenues have begun to show some vulnerability as endeavors to increase recycling efforts have reduced the amount of garbage collected, resulting in lower revenues. This vulnerability is expected to continue with further efforts to increase recycling and reduce waste in the future. Overall, relative stability for the coming year in customer rates and growth in number of customers for most franchise fee revenue sources results in a revenue projection of \$8.1 million for FY 2012/13, accounting for 6% of budgeted General Fund resources.

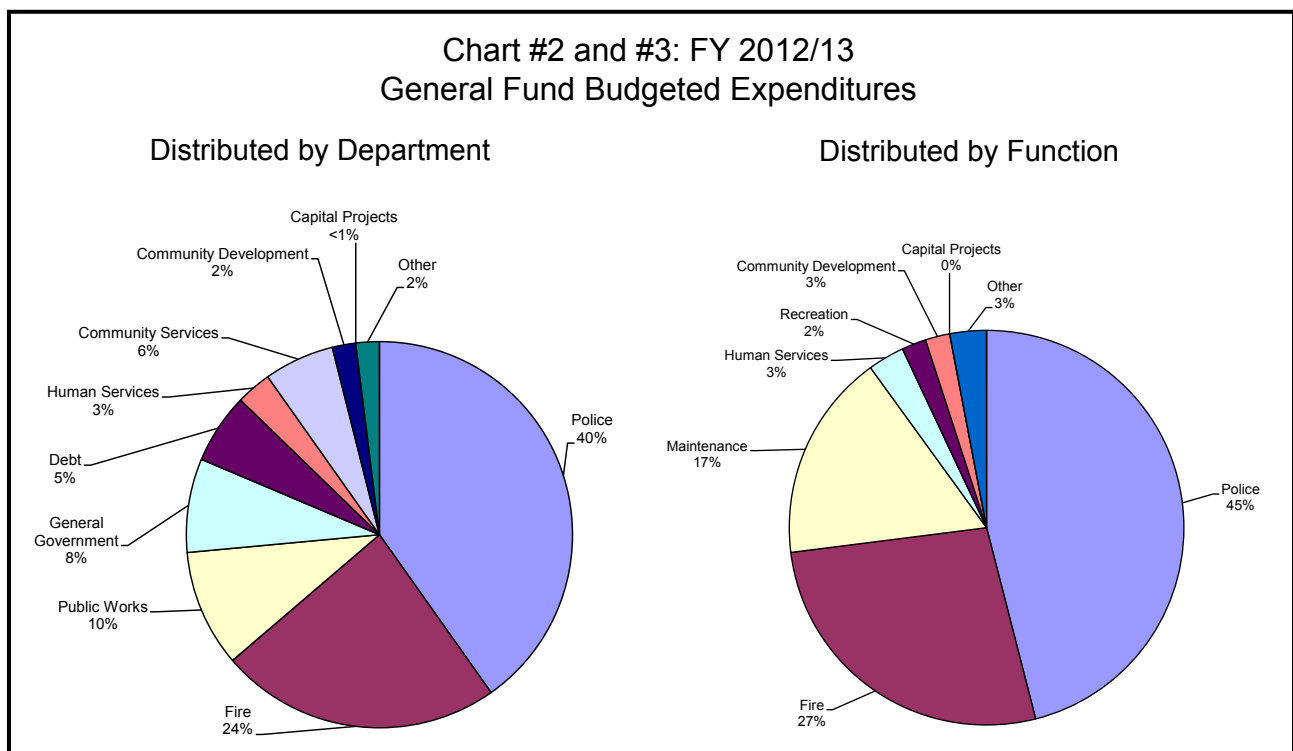
The General Fund receives transfers from other funds for general government services (such as human resources, finance, and legal assistance) provided to operations funded outside the General Fund (such as development services, recreation services and human services). In FY 2011/12, transfers in from other funds are projected to be \$5.3 million. Because budgeted expenditures are staying relatively flat, transfers in are expected to total \$5.3 million in FY 2012/13, representing 4% of General Fund available resources.

General Fund | General Fund Summary

In FY 2011/12, the City will need to use \$2.8 million of the Budget Uncertainty Reserve to cover the gap between ongoing revenues and ongoing expenditures, resulting in \$4.7 million remaining in Budget Uncertainty Reserve funds available for future challenges. In FY 2012/13, the use of reserves will not be necessary to achieve a balanced budget.

Expenditures

FY 2012/13 budgeted expenditures and transfers to other funds total \$133.5 million. As displayed in Chart #2 below, the budget maintains the City Council's long-time funding priorities by allocating 80% of the budget to direct costs for public safety and maintenance. As Chart #3 shows, the share of General Fund resources budgeted for these purposes is actually 89% when overhead costs required to support these functions are allocated. The \$133.5 million budgeted for expenditures and transfers out in FY 2012/13 is 0.5% lower than the FY 2011/12 adopted budget, and 0.7% higher than the estimated actual expenditures for FY 2011/12.



Basic City services, such as police, fire, and maintenance, are labor-intensive. Therefore, the City's budget is largely driven by labor-related costs, including salaries, health benefits, and retirement system contributions. These costs comprise 75% of the FY 2012/13 budgeted expenditures (excluding transfers out to other funds), or 89.1 million. This is a 5% decrease from FY 2011/12, and is primarily the result of savings achieved by labor negotiations as a result of the Strategic Fiscal Sustainability Study. There are no employee cost increases included in the FY 2012/13 expenditure budget, other than for increased employer contributions to the California Public Employees' Retirement System. However, costs are increasing modestly in some areas because they can no longer be shared with the Redevelopment Agency.

Transfers Out to Other Funds

In addition to direct expenditures, the General Fund transfers resources to other funds to support activities that cannot be supported through fees, grants, or charges for service. These activities range from capital projects and debt service, to cost center operations, special revenue funds, and reserve accounts with specific purposes.

Transfers to cost centers fund activities in the cost centers that cannot be supported by fees or charges for services. The cost centers are enterprise-like mechanisms for funding the Community Development, Recreation, Human Services (special revenue fund), and Senior Center functions, and transfers from the General Fund are decreasing by 3.3% (\$279,000), to \$8.1 million. The bulk of this decrease is due to a reduction in the transfer out to the Recreation Cost Center of \$300,000, however, is partially offset by an increase to the Development Cost Center transfer of \$148,500. Even with a reduction of \$300,000 (12.9% of the General Fund contribution), the Recreation Cost Center fund balance will still increase by \$294,000 in FY 2012/13. The Recreation transfer decrease is mitigated by a revision to the Recreation Cost Center reserve policy from 25% to 15% of expenditures, to bring it into alignment with the reserve levels in funds other than the General Fund.

The transfer for debt service on the City's outstanding capital debt is decreasing by \$680,000 for FY 2012/13. A portion of this savings (\$141,750) results from the refunding of the fixed rate 1998 COPs that occurred in May. The City also has variable rate COPs that have interest rates that reset weekly, and for the past few years the weekly reset rates have been significantly less than 1%. These very low interest rates have been very helpful in offsetting revenue shortfalls. Because the debt documents require budgeted appropriations to be set at a specific level that is generally higher than the prior year's actual experience, the budget includes a savings assumption of \$925,000 in an attempt to anticipate actual interest savings on this variable rate debt.

The General Fund contains three reserves that may be funded with annual transfers from the General Fund:

- the Contingency Reserve, which is intended to help mitigate the effects of natural disasters and severe, unforeseen events;
- the Program Investment Reserve, which provides a source of working capital for new initiatives that have the potential to generate significant funding from external sources; and
- the Budget Uncertainty Reserve, which is intended to offset quantifiable revenue uncertainty in the budget.

Table #2 summarizes the FY 2012/13 projected funding levels for each reserve. Funding levels for the Contingency Reserve and the Program Investment Reserve are based on the amount of total General Fund expenditures and transfers out budgeted each year (10% and 2.5%, respectively). Based on the proposed budget for expenditures and transfers out, no transfer to these reserves will be necessary in FY 2012/13. As Table #2 illustrates, the two primary General Fund reserves (Contingency Reserve and Program Investment Reserve) total \$18.3 million. The Budget Uncertainty Reserve level does not have a targeted funding level, so there is no required contribution in FY 2012/13. The balance of the Budget Uncertainty Reserve is projected to be \$4.7 million at the end of FY 2012/13, representing 3.52% of total FY 2012/13 budgeted expenditures and transfer out.

Table #2: General Fund Reserves

	FY 2011/12 est. balance (\$ millions)	FY 2012/13 transfer (\$ millions)	FY 2012/13 projected use (\$ millions)	FY 2012/13 balance (\$ millions)
Contingency Reserve	\$14.6	\$0.0	\$0.0	\$14.6
Program Investment Reserve	3.7	0.0	0.0	3.7
Budget Uncertainty Reserve	4.7	0.0	0.0	4.7
Total General Fund Reserves	\$23.0	\$0.0	\$0.0	\$23.0

Financial Forecast

The financial forecast is a planning tool that helps staff identify important trends and anticipate the longer-term consequences of budget decisions. While more art than science, the forecast tools have been instrumental in modeling the effects of such recent budget issues as rising retirement system costs, the short- and long-term consequences of issuing variable rate debt, and potential scenarios of future revenue performance. The ability to model cost and revenue trends beyond the next budget year helps the City make proactive budget decisions early in an economic cycle, such as the most recent economic downturn.

The forecast is not a plan, but a model based on cost and revenue assumptions that are updated regularly as new information becomes available. Of these components, future cost projections, based on known costs, are relatively reliable. Revenue forecasts, on the other hand, are based on assumptions related to future economic conditions, which are fraught with uncertainty. Economic forecasts in financial markets and the media swing from optimistic to pessimistic on a seemingly daily basis, and demonstrate the perils of committing to a particular prediction of the future. For this reason, the forecast is updated regularly, and is the subject of periodic City Council discussion.

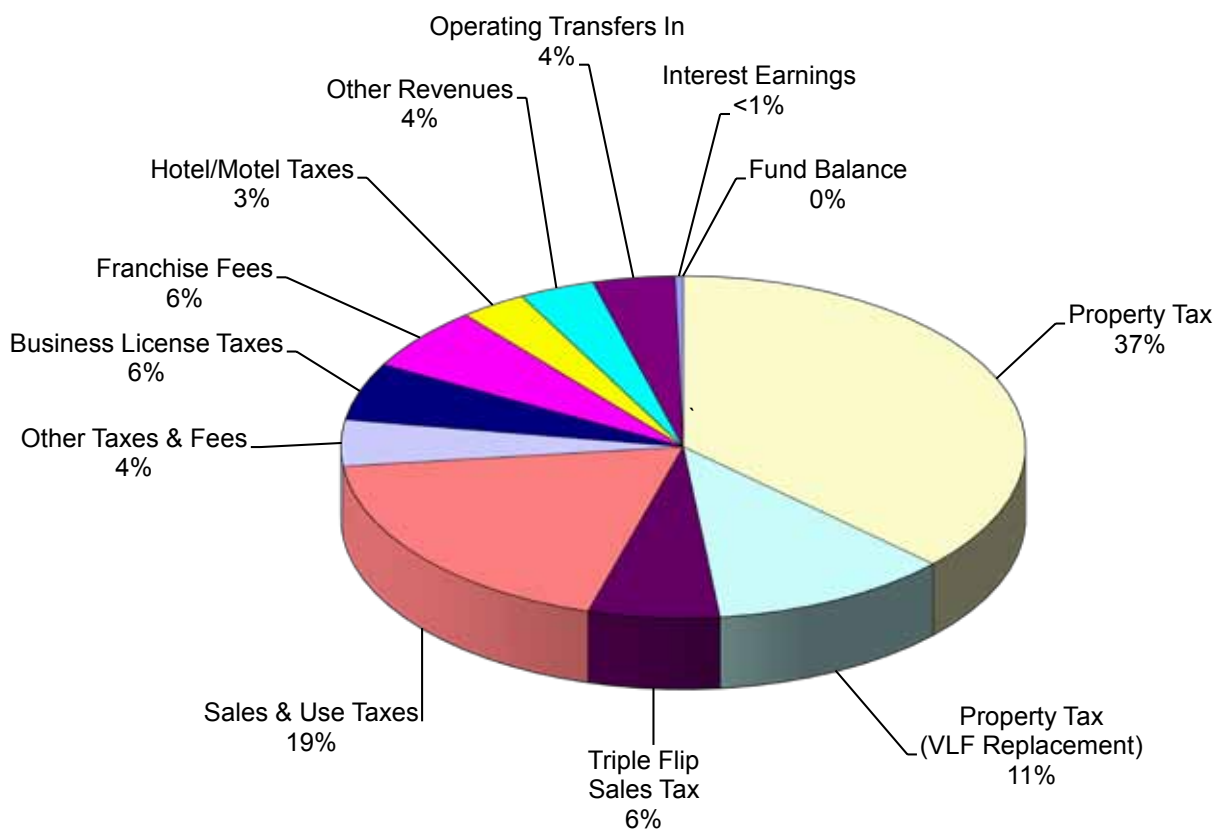
Key forecast assumptions are as follows:

- Sales and property tax information would seem to indicate that the worst of the recession is behind us, and a long, slow recovery is underway. Accordingly, revenues are estimated to increase modestly throughout the term of the forecast.
- With the demise of redevelopment, the City's General Fund will begin to receive additional property tax revenues in FY 2012/13. That additional revenue is estimated to be \$3 million per year in FYs 2012/13 through 2014/15, then increasing to \$5 million per year thereafter. Should the affairs of the Redevelopment Agency's Successor Agency be wound up sooner, the full \$5 million could begin to be received sooner.
- Budget realignment continues to be a priority in managing the City's resources, as does implementation of the Strategic Fiscal Sustainability Action Plan. Savings to be achieved from these actions are reflected in the budget forecast.

- Commitments for fund transfers contained in the adopted FY 2011/12 – FY 2015/16 CIP are included. However, there are no transfers for capital projects in FY 2011/12 or FY 2012/13. The next update of the CIP will result in a plan for FY 2013/14 – FY 2017/18.
- Commitments for all known and anticipated debt service costs are included.

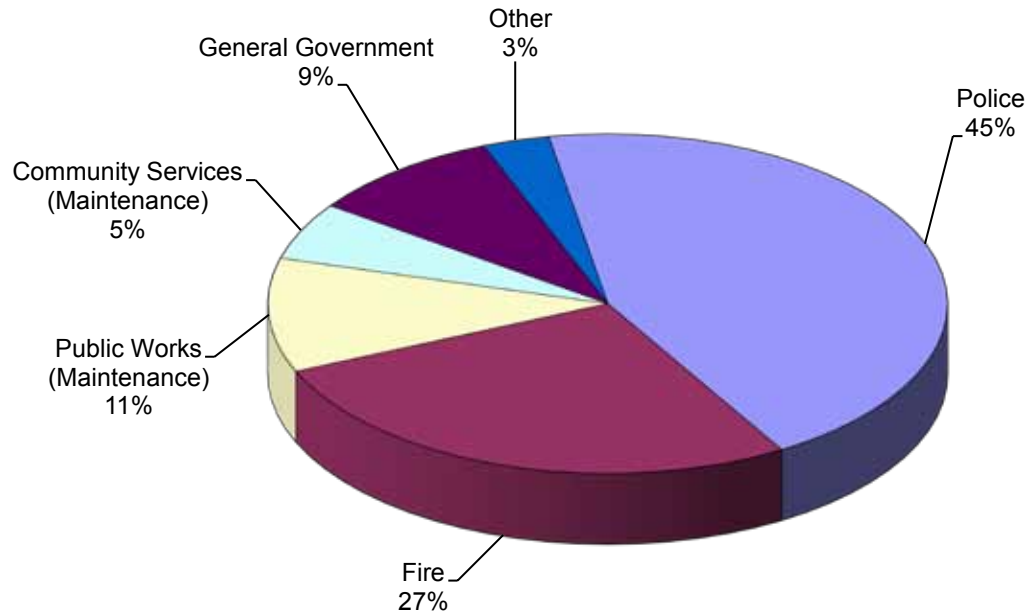
The financial forecast is located on page 83 of the budget document. Projected resources exceed projected costs in FY 2012/13, resulting in a proposed budget in FY 2012/13 that is balanced. This will provide a foundation for beginning to deal with some of the City's other significant unfunded needs and commitments (such as funding retiree medical costs on an actuarial basis, providing funds for the City's capital needs, including street maintenance, opening Fire Station 11, and adding more police officers). Staff will monitor budget performance, including the effects of any proposed State actions closely, and will return to Council with budget modifications as warranted.

General Fund Available Resources Fiscal Year 2012/13: \$134,946,000

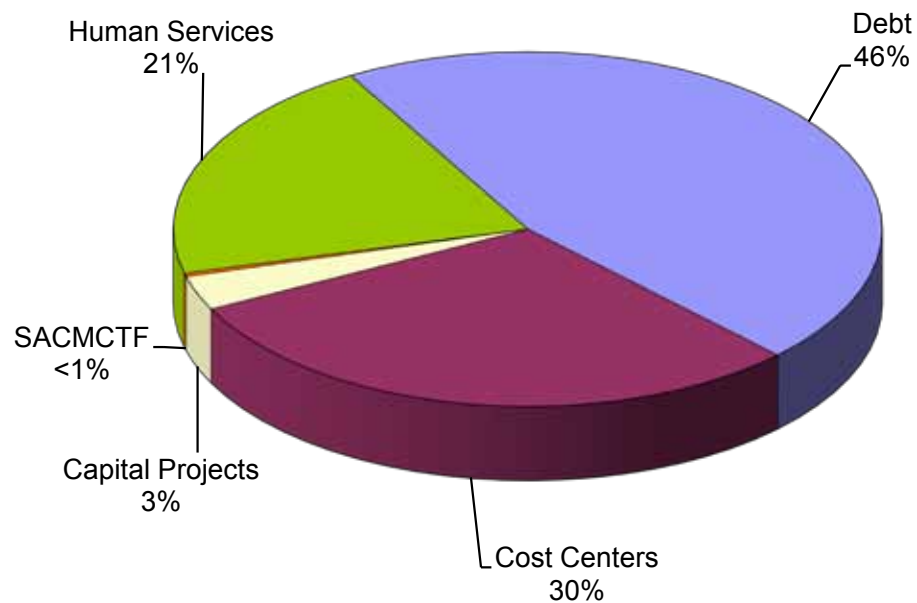


General Fund Allocation of Resources

General Fund Expenditures
Fiscal Year 2012/13: \$118,382,000



General Fund Transfers Out
Fiscal Year 2012/13: \$15,068,000



Non-Departmental Budget

General Fund appropriations not directly associated with specific departments are classified as “non-departmental.” Expenditures and certain types of anticipated general savings that are not identified with or allocated to individual departments are included in the non-departmental budget. This includes expenditures such as debt service fees and administrative costs paid to the County. As details of some of these items become known, the actual costs and related appropriations are transferred to the appropriate department.

Budgeted Expenditures

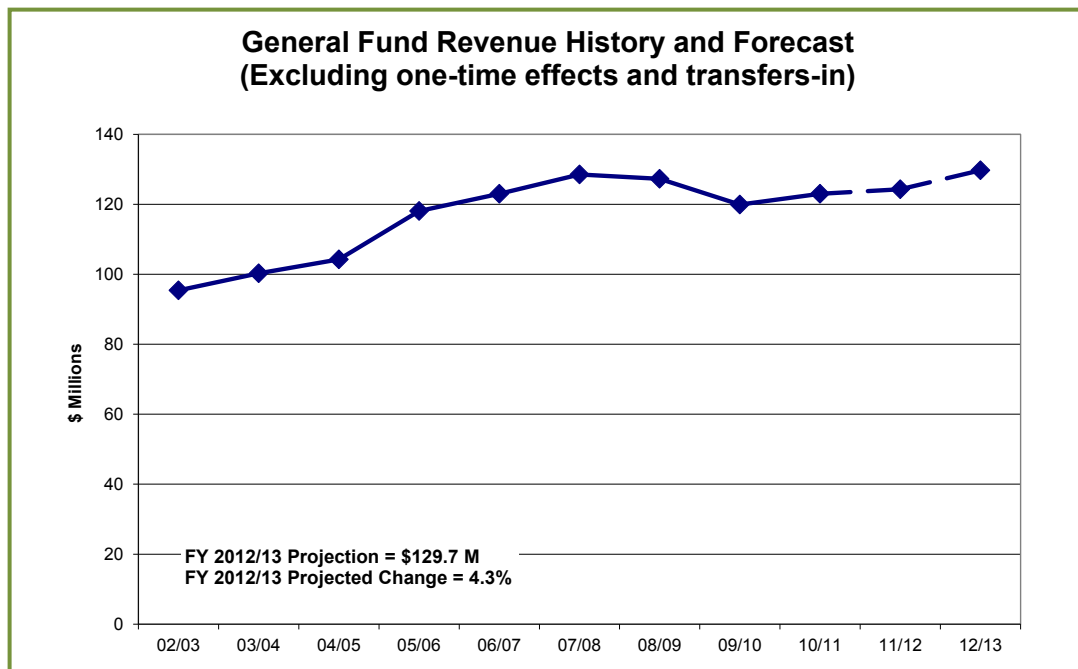
• Annual Operating Contingency Account	\$ 1,000,000
• Employee Leave Cash-Out	700,000
• Property Tax Administration Fee and Revenue Audit Fees	650,000
• Miscellaneous and Debt Services Fees	490,000
• Elections	160,000
• Other Non-Departmental	50,000

Non-Departmental Budget	\$3,050,000
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General Fund Revenues Overview

Total FY 2012/13 General Fund estimated revenues (excluding transfers from other funds, fund balance, and reserves) are \$129.7 million, which is \$5.4 million, or 4.3%, more than total estimated revenues for FY 2011/12, and 3.3% (\$4.1 million) more than anticipated when the FY 2011/12 budget was adopted. Seventy-six percent of the City's revenue is controlled by the State, including property tax and sales tax, which the State has manipulated in recent years.

The City, the State, and the nation have all felt the significant effects of the global financial crisis. The State, in February, was anticipating a budget shortfall for FY 2012/13 of \$9.2 billion. However, actual revenues have consistently fallen short of the Governor's estimates, and so a larger shortfall is anticipated when the Governor prepares his "May Revise" budget. State constitutional provisions and State laws approved by the voters limit the State's budget flexibility in solving structural deficits. Voters have "locked in" an increasing share of budgeted expenditures without increasing revenues. Such voter-approved funding commitments are often contradictory but, even worse, they reduce the State's flexibility to deal with changing budget circumstances. All of these factors, combined with the need for a two-thirds vote in each house of the Legislature to approve tax increases, make it especially difficult for the Governor and the Legislature to reach agreement on the State's budget.



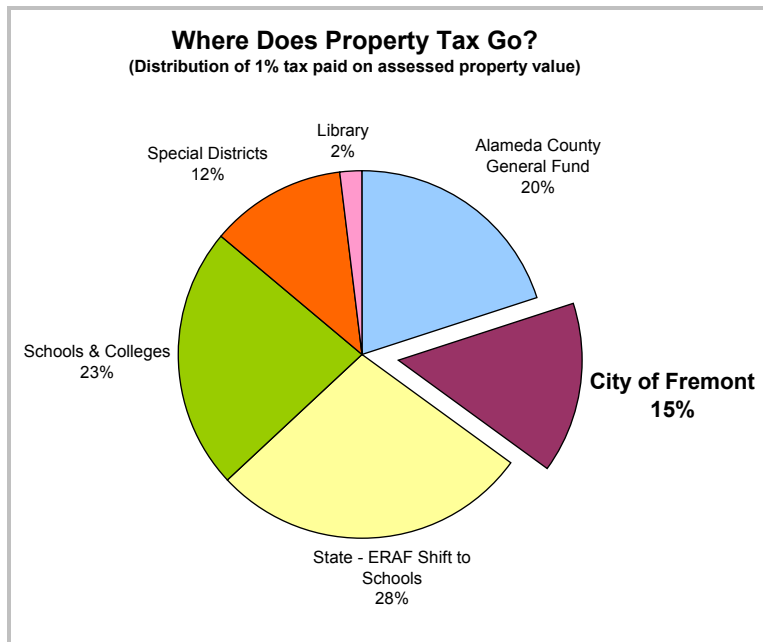
As for the economy, economists generally believe the recession is over, but that the recovery will be a long, slow one. The economic crisis has spread far and wide, and although Fremont was prepared to weather the economic storm for a couple of years, the downturn became so pronounced and prolonged that the City ultimately could not escape its impacts.

This section provides additional background and forecast information for the following key General Fund revenues:

- Property Taxes – including VLF replacement revenue
- Sales and Use Taxes – including “triple flip” revenues
- Franchise Fees
- Hotel/Motel Occupancy Taxes
- Business License Taxes

Property Taxes

Description: Property tax is an ad valorem tax (based on value) imposed on real property (land and permanently attached improvements such as buildings) and personal (movable) property. Proposition 13, adopted by California voters on June 6, 1978, created a comprehensive system for the assessment and limitation of real property taxes. Property owners pay the tax based on their real property’s adjusted assessed full value. Proposition 13 set the FY 1975/76 assessed values as



the base year from which future annual inflationary assessed value increases would grow (not to exceed 2% for any given year). The County Assessor also re-appraises each real property parcel when there are purchases, construction, or other statutorily defined “changes in ownership.” Proposition 13 limits the property tax rate to 1% of each property’s full value plus overriding rates to pay voters’ specifically approved indebtedness. Property taxes are the City’s single largest revenue source, comprising approximately 50% of total FY 2012/13 projected revenues, or \$65.1 million.

The City of Fremont receives 15 cents of every dollar of property tax paid (see chart above). Alameda County and the schools, including Fremont Unified School District, receive most of the revenue from property taxes assessed on real property located in the City.

Proposition 13 (Section 1. Article XIII A of the State Constitution) transferred control and accountability for property tax rates from city and county government to the State government. It allows the State Legislature to apportion property tax collections among the various cities, counties, and special districts “according to law.” In the late 1970s, the State Legislature settled on an allocation method under which each local government’s percentage share of property taxes was the same as that government’s prorated share of the entire county’s property taxes in the mid-1970s. Beginning in 1992, the Legislature reduced city allocations through the ERAF I and ERAF II legislation so that tens of millions of dollars in city property taxes were transferred to the schools.

General Fund | General Fund Revenues

This shift costs the City of Fremont approximately \$14.3 million annually. More recently, in FY 2003/04, to deal with the State's fiscal crises, the legislature adopted ERAF III, which resulted in another allocation change that caused the City of Fremont to lose an additional \$5.4 million between FY 2004/05 and FY 2005/06. The City's former Redevelopment Agency lost \$4.6 million in property tax increment during this same period, for an additional total impact on the City and the Redevelopment Agency combined of \$10 million.

California voters passed Proposition 1A on November 4, 2004, giving California cities some relief from future State tinkering with traditionally local revenues. The State Legislature can only change city property tax allocations in emergencies and by a two-thirds vote in both legislative houses, and then for only two years before the revenue has to be repaid with interest. While not perfect, these provisions helped reduce the City's revenue uncertainty somewhat through FY 2007/08 because the State could not avail itself of these provisions until FY 2008/09. In FY 2009/10, the State invoked the provisions of Proposition 1A and borrowed 8% of property tax from cities, counties, and special districts. For Fremont, this amounted to \$5.6 million, to be repaid by June 2013 with 2% simple interest. Fortunately, the legislation for this borrowing included a provision allowing local agencies to securitize their receivable and be repaid for the borrowing in FY 2009/10, rather than waiting for the State to repay its loan in June 2013. Fremont, along with most other cities, participated in this program and, as a result, saw no decrease in property tax revenues as a result of this State action.

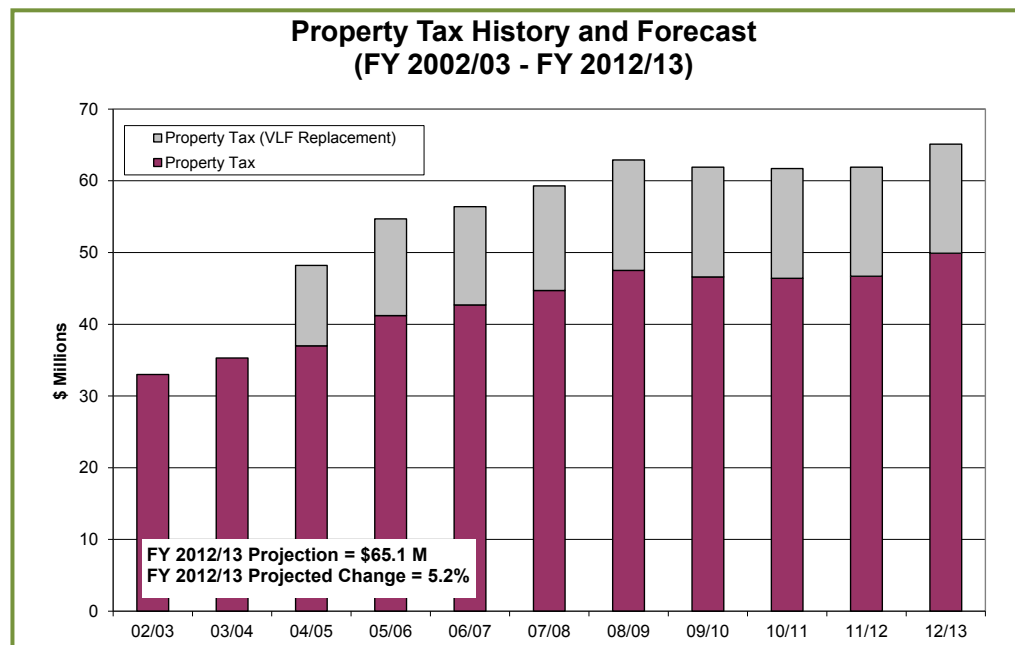
On November 2, 2010, California voters passed Proposition 22, the Local Taxpayer, Public Safety and Transportation Protection Act of 2010. Proposition 22 stops the State from taking, diverting, or borrowing local government, transportation and public transit funds dedicated to local services. This means the State can no longer invoke the provisions of Proposition 1A and "borrow" property taxes from cities.

As part of the adoption of the FY 2011/12 State Budget, the California State Legislature enacted two trailer bills that significantly modified the California Community Redevelopment Law ("CRL") and fundamentally altered the future of California redevelopment: ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Voluntary Program Act"). The Dissolution Act first immediately suspended all new redevelopment activities and incurrence of indebtedness, and dissolved redevelopment agencies, effective October 1, 2011. The Voluntary Program Act then allowed redevelopment agencies to avoid dissolution under the Dissolution Act by opting in to an "alternative voluntary redevelopment program" (the "Voluntary Program") that required annual contributions to local schools and special districts. The City of Fremont, along with roughly 80% of redevelopment agencies throughout the State, was prepared to participate in the Voluntary Program and, in fact, had adopted a resolution to that effect on July 12, 2011.

Both the California Redevelopment Association and the League of California Cities filed a lawsuit in August 2011, challenging the constitutionality of both ABx1 26 and ABx1 27. The suit was heard directly by the California Supreme Court, which rendered its decision in *California Redevelopment Association v. Matosantos* on December 29, 2011. In that decision, the Supreme Court declared the Dissolution Act to be constitutional and the Voluntary Program Act to be unconstitutional, citing as one of the factors in its conclusion the recent passage of Proposition 22. Thus, under the Dissolution Act, all California redevelopment agencies were dissolved effective February 1, 2012, and the unwinding of the affairs of all former redevelopment agencies began.

Because property tax increment will no longer be distributed to redevelopment agencies, all local taxing jurisdictions (including the City) will receive their full share of property tax revenue. For Fremont, that additional amount is estimated to be \$5 million annually, once the wind-down of the redevelopment agency is complete.

Forecast: Property tax revenues are estimated to total \$61.8 million in FY 2011/12. Staff projects property tax revenues for FY 2012/13 will increase to \$65.1 million. A major part of this increase is the result of property tax increment no longer being distributed to the redevelopment agency. For FY 2012/13, FY 2013/14, and FY 2014/15, the increased amount is conservatively assumed to be \$3 million annually. The full \$5 million is assumed to be received, beginning in FY 2015/16. Should the wind-down of the redevelopment agency be completed earlier, the increased property tax revenue would begin to be received sooner. The assessed valuation for secured property is based on the value as of January 1, 2012. Property tax revenues for FY 2012/13 are anticipated to grow by 0.5%, excluding the effect of the additional property taxes to be received because of the dissolution of the redevelopment agency.

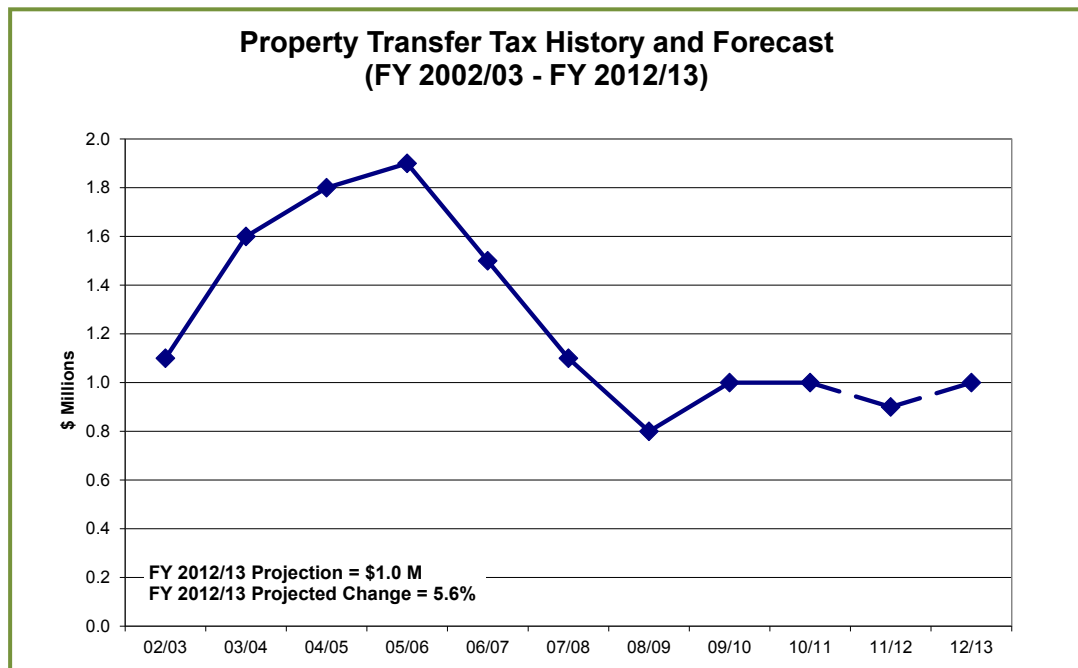


Key Factors in the Forecast: The most significant property tax revenue indicator is the change in property assessed full values. Properties are re-appraised upon most ownership changes and new construction. Strength in Fremont's real estate market drove the assessed value and City revenue growth in the second half of the 1990s, and again in the middle 2000s. Property tax collections, although impacted by delinquencies countywide, have continued to come in as expected in FY 2011/12. For FY 2012/13, the 2% statutory increase is in effect because 2% is lower than the change in the Consumer Price Index, as provided by Proposition 13. However, due to further reductions in sales prices and assessed valuations, the overall change in assessed values is expected to remain flat for FY 2012/13. A large component of the stagnant values is due to the revaluation downward of the Solyndra property by \$600 million. Property taxes for FY 2012/13 were assessed based on values as of January 1, 2012, so price changes that might be caused by interest rate hikes and other market influences since that date will not change these values.

General Fund | General Fund Revenues

The high-tech industry recovery is encouraging, but still fragile in light of the overall national economic conditions. Commercial and industrial properties comprise about one-third of Fremont's property tax base. One particular item of note is the preliminary impact of the NUMMI plant closure and subsequent sales to Tesla Motors and the Union Pacific Railroad. These transactions have been reflected on the property tax rolls in FY 2011/12. The County Assessor is currently estimating roughly a 40% reduction in the assessed value for those particular properties. The final determination of the new assessed value will likely not be made for at least another year because of the complexity of the transaction.

The property transfer tax trend is also considered in estimating property tax revenues. The City experienced decreases in property transfer tax from FY 2006/07 through FY 2008/09. In FY 2009/10, the transaction volume began to increase over the previous year, although median sales prices remained flat. Although property transfer tax from real estate transactions is beginning to grow again, the increase is still attributable to more transactions occurring. The average amount per property transaction is actually showing a slight decrease. Generally, real property transactions that generate property transfer taxes also trigger re-assessment under Proposition 13.

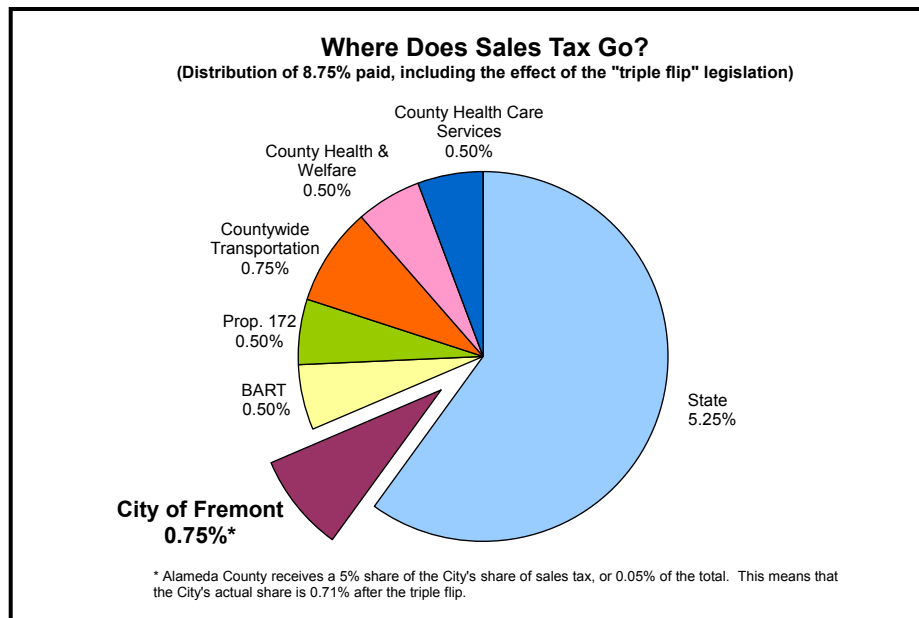


Sales and Use Taxes

Description: The local sales and use tax rate through March 31, 2009, was 8.75%. Sales tax is collected on the sale of taxable goods within Fremont. Use tax is the corresponding tax on transactions involving taxable goods purchased out of state for use or storage in Fremont. Sales and use taxes are collected by the State, which then pays local government its respective share. Sales and use taxes (collectively, "Sales Taxes" in the budget) are the City's second-largest revenue source and comprise about 26% of FY 2012/13 General Fund revenues. As part of the State's resolution of budget deficits, the State Legislature enacted a temporary 1% increase to the State sales tax rate (effective April 1, 2009), resulting in a sales and use tax rate in Alameda County of 9.75%. The temporary 1% increase expired on July 1, 2011, at which time the rate reverted to 8.75%. There was no change to the City's share of sales tax during this period.

In March 2004, California voters passed Proposition 57, approving the sale of State Economic Recovery Bonds. The bond proceeds were used to fund the State's cash flow deficit and avert an operational financial crisis. To issue the bonds, the State needed a steady revenue source it could pledge to secure its payments – like sales taxes. To solve its problem, the State implemented the “triple flip.” Under the “triple flip,” the State's bonds are secured by a quarter-cent increase in the State's share of sales tax with a corresponding decrease in local government's share of sales tax (there was no sales tax rate change). To compensate for the loss, local governments receive additional real property taxes that would otherwise go to the schools (which will receive State General Fund payments), until the State's Economic Recovery Bonds are repaid. The additional property taxes are to replace the lost sales taxes on a dollar for dollar basis.

Before FY 2004/05, the sales tax rate in Fremont was 8.25%. The City received 12.1% of the tax paid, which was approximately 1% of the price paid for the good. In March 2004, Alameda County voters passed Measure A, which raised the sales tax rate by 0.5%, to 8.75%, to fund County Health Care Services. This reduced the City's share of tax paid to 11.4% (still approximately 1% of the price paid for the good). As shown below, the City now receives 0.75% of each taxable sale, which equates to 8.6% of total sales tax revenues collected by all jurisdictions, down from the 12.1% we used to receive. The remaining 0.25% of each taxable sale now comes to the City as property tax because of the “triple flip.”



Forecast: FY 2011/12 sales tax revenues, including the “triple flip” replacement, are projected to be \$32.2 million, an increase of \$2.1 million (7.0%) over FY 2010/11 revenues. The FY 2012/13 budgeted amount is \$33.6 million, or \$1.4 million (4.3%) more than FY 2011/12. For projection purposes, sales tax has three components: the local retail economic base, the property tax replacement related to the triple flip, and Proposition 172 sales tax revenue, which is dedicated to funding public safety activities. The following table relates the component projections to the total.

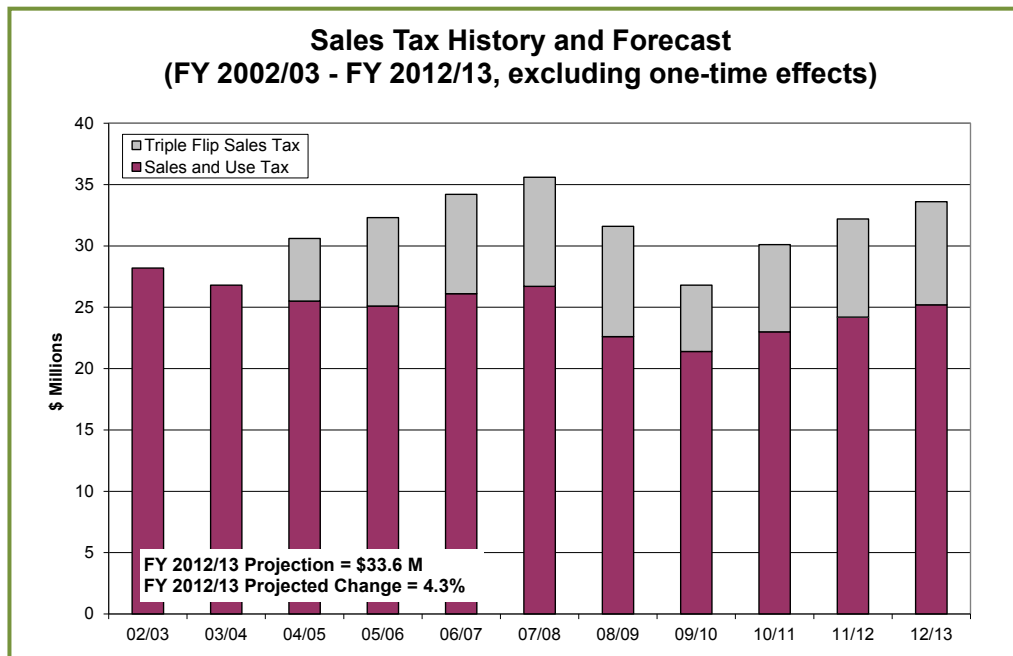
General Fund | General Fund Revenues

Projection Component	FY 2011/12 Estimated	FY 2012/13 Projected	Difference
"Regular" Retail Sales Tax	\$23.3 million	\$24.2 million	+\$0.9 million
"Triple Flip" Property Tax Replacement	8.0 million	8.4 million	+0.4 million
Proposition 172 Sales Taxes	0.9 million	1.0 million	+0.1 million
Total	\$32.2 million	\$33.6 million	+\$1.4 million

The local retail economic base is generally considered “regular” sales tax. It is the 0.75% of the price paid for taxable goods, referenced above, that is received by the City. Of the \$1.4 million projected increase, 64% of it is attributable to the continuing recovery in the retail base in FY 2012/13, in contrast to the significant contraction that occurred in FY 2008/09 and FY 2009/10. FY 2010/11 was the first year of recovery, although a portion of that increase was due to high fuel prices.

The “triple flip” property tax replacement revenue is projected to increase by \$0.4 million in FY 2012/13. The amount of replacement revenue the City receives is based on the growth in “regular sales tax” revenue from the prior year.

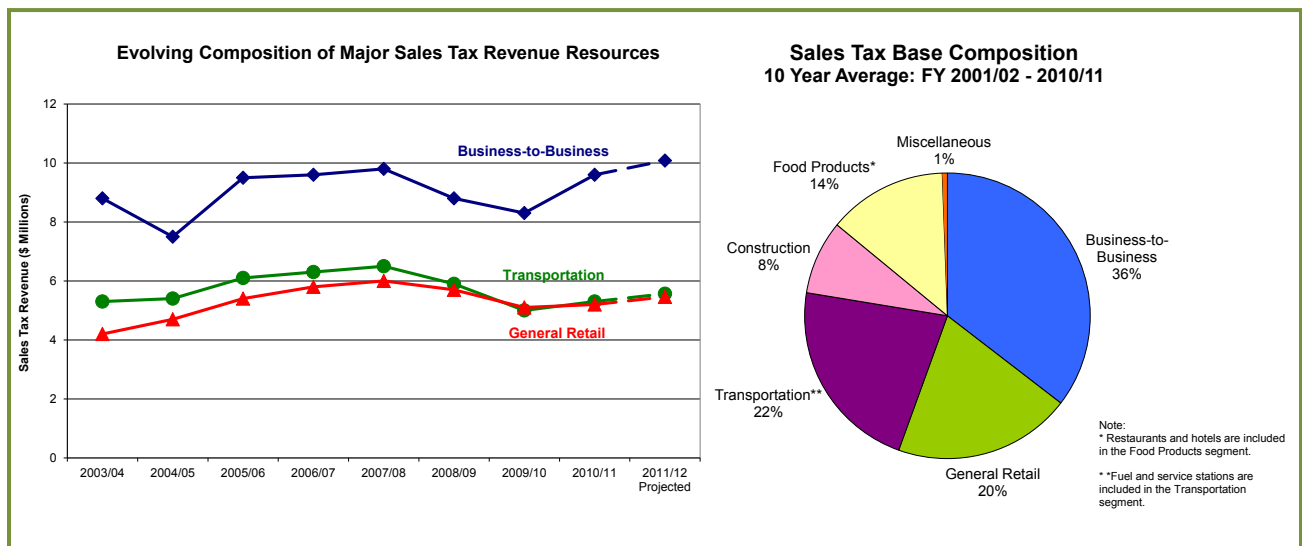
Proposition 172 sales taxes are the City’s share of the one-half cent sales tax for public safety services approved by California voters in 1993. In FY 2011/12, the City’s share is expected to be \$0.9 million. Unlike “regular” sales tax revenues, which are based on retail activity in Fremont, Proposition 172 sales tax is collected and allocated on a statewide basis, so annual changes more closely resemble the statewide retail economy. For FY 2012/13, the Proposition 172 component of the City’s sales tax revenues is projected to increase to \$1.0 million.



The graph above displays the sales tax forecast. In FY 2004/05, the City began to receive the “triple flip” property tax payments. The darker bars on the graph represent traditional sales tax dollars and the gray portion of the bars represent property tax dollars the City is receiving in lieu of sales taxes under the “triple flip.”

Key Factors in the Forecast: The business-to-business segment remains the largest segment of the sales tax pie. This segment grew from 30% of the tax base in FY 1990/91 to 41% in FY 2000/01. The high-tech sector recession that began in 2001 dampened business-to-business sales levels for a number of years, although it began to show signs of improvement in FY 2007/08. For FY 2011/12, the business-to-business segment constitutes about 35% of the sales tax base. This City revenue remains vulnerable to any weakness of the Silicon Valley economy. The largest of the City's sales tax segments are highlighted in the following graph.

Sales tax is vulnerable to downturns in several segments of the economy. The general retail sales tax base has become a larger piece of the pie, with increases in retail such as the Pacific Commons development (including "The Block"). After the "dot-com" bust, efforts to diversify the City's sales tax base were successful, with the result being a more balanced mix of sales tax segments and reduced reliance on any single sector.



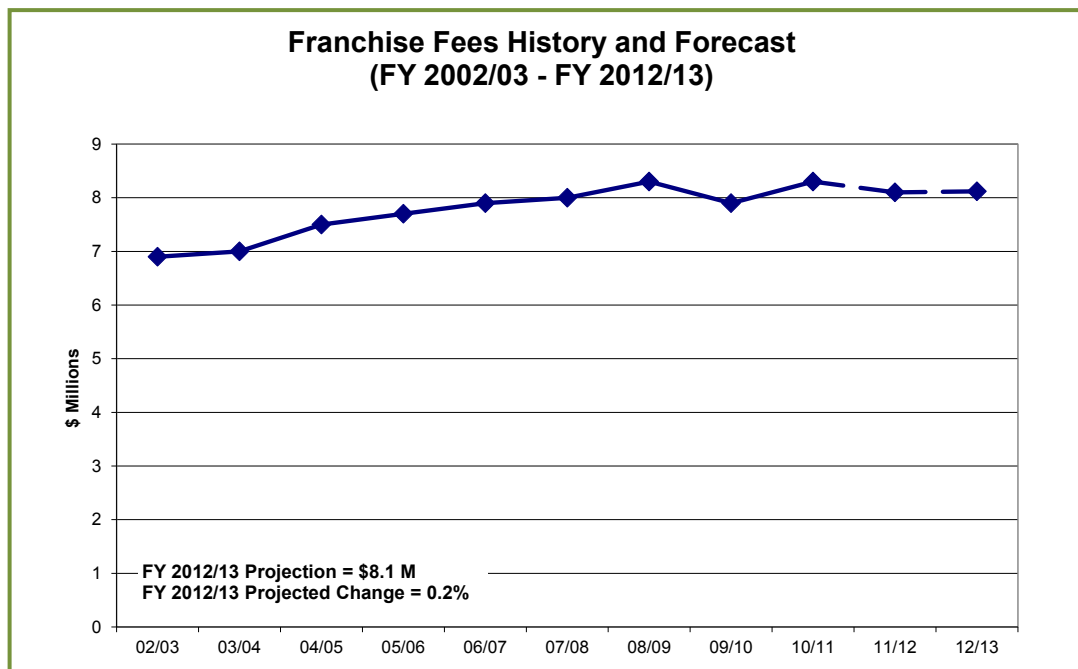
Sales tax declines in the City are not as severe as those experienced in other parts of the Bay Area and the State. Particular segments that are showing declines are those related to declines in the housing market, including sales of construction materials and home furnishings. Sales of new automobiles have rebounded since their decline during FY 2009/10, and several new dealerships have opened at the Auto Mall. For the 10-year average through FY 2010/11 shown above, automobiles and transportation accounted for 22% on average. For FY 2010/11, automobiles and transportation accounted for 28% of the City's sales tax revenue.

Franchise Fees

Description: State law provides cities with the authority to grant franchises to privately-owned utility and other companies for their use of the public right-of-way. The City receives franchise fees from the electric and gas utility, the solid waste collection company, local cable companies, and certain other entities for their privilege of using the public right-of-way within the City. The dominant franchise fees are calculated as a percentage of the respective franchisee's gross revenues (subject to specified statutory adjustments) earned from services delivered or performed by the franchisee within the City.

The maximum gas and electric franchise rate is the greater of 1% on gas and electric adjusted gross revenues or 2% of the asset investment base within the City, as set by California law. PG&E pays its electric and gas utility franchise fee annually in April based on its revenues for the preceding calendar year. FY 2012/13 gas and electric utility franchise revenues will be computed as 1% of PG&E's adjusted gross revenues (the 1% of revenues method generally results in a greater fee than the 2% of invested assets method) for calendar year 2012 and will be received by the City in April 2013.

The solid waste collection franchise fees are negotiated between the City and the refuse collector. The cable franchise rate, formerly established by City ordinance, is now determined in accordance with AB 2987, the Digital Infrastructure Video Competition Act (DIVCA). The franchise fee rate of 5% of the cable company's "gross revenues" is unchanged, but cable providers now operate under a State franchise, rather than a local franchise. The solid waste collection franchise fee is paid monthly and the cable franchise fee is paid quarterly (both in arrears) throughout the fiscal year.



Forecast: Franchise revenues in FY 2011/12 are anticipated to come in lower than in the prior year, at \$8.1 million (compared to \$8.3 million in FY 2010/11), a decrease of 1.9%. In FY 2012/13, they are projected to remain at \$8.1 million.

Key Factors in the Forecast: Key factors affecting the major franchises are discussed below.

- **Electricity franchise:** PG&E franchise revenues change because of changes to the cost of natural gas and other resources used to generate electricity, consumer power demands (which are affected by the economy), interstate energy contract pricing, and State and federal regulatory changes. PG&E projects a modest revenue increase for 2012, so the City likewise expects a corresponding increase in its FY 2012/13 electric franchise revenues. Decreased demand (a factor of weather and price) or significant interstate cost decreases are factors that might negatively affect this revenue. In addition, PG&E reviewed its customer account information in the last year, and found that approximately 100 addresses were incorrectly credited to Fremont. The company has now corrected those addresses, resulting in a net revenue loss compared to prior fiscal years.
- **Gas franchise:** Gas franchise revenues comprise only about 5% of total franchise revenues.
- **Cable franchise:** Comcast has raised rates and continues to expand its Fremont customer base at a modest pace. Telephone (telecommunication) companies like AT&T have entered the video/television business to compete with cable providers, with the result that a small portion of the City's cable franchise revenues now come from AT&T. AB 2987 was signed into California law and became effective January 1, 2007. This legislation transferred the essential franchising functions to the State and set a fixed franchise fee of 5%. Cable franchise revenues appear to be declining for the first time in several years. This is believed to be the result of people who are no longer purchasing cable, but rather, are changing to streaming video, etc., on PDAs, tablets, and smartphones.
- **Solid waste collection franchise:** Solid waste collection franchise revenues are expected to remain relatively constant, and are not currently subject to extraordinary risks. Solid waste franchise fee rate increases typically occur every other year, in even years. The last increase occurred in January 2012. With an increased focus on recycling (which is not subject to franchise fees), the revenue from solid waste collection is decreasing somewhat. The effect on City revenues means that the rate increase may not offset the decreased revenues from less solid waste collection. This trend is expected to continue. Therefore, solid waste franchise fee revenues may remain stagnant, with new revenue growth coming primarily from new development adding to the customer base.

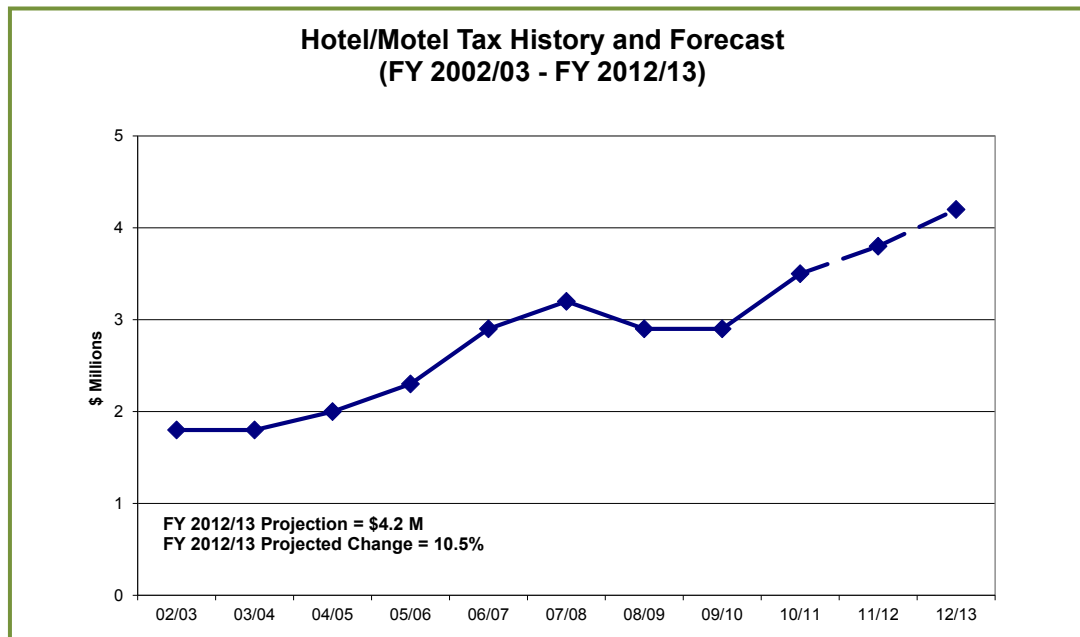
Hotel/Motel Occupancy Taxes

Description: The hotel/motel occupancy tax is charged on hotel and motel room occupancies of 30 days or less. It is paid by hotel and motel customers in addition to the room rate so that Fremont visitors may contribute to the cost of the public services they enjoy during their stay. Fremont voters passed a measure in November 2008 (Measure MM) to increase the rate to 10%, effective January 1, 2009, making Fremont comparable to its neighboring cities.

General Fund | General Fund Revenues

Forecast: The budget estimates FY 2011/12 revenues will increase 10.6% to \$3.8 million, with a 10.5% increase in FY 2012/13 to \$4.2 million. This increase is attributable to both increasing room rates and occupancy rates. With the expected economic recovery, this revenue source is expected to grow at a rate more reflective of the 10-year historic growth rate, or 10%.

Key Factors in the Forecast: The volatile economy remains the greatest risk for hotel/motel tax revenues. Continuing economic recovery will continue to provide steady growth in this revenue source.

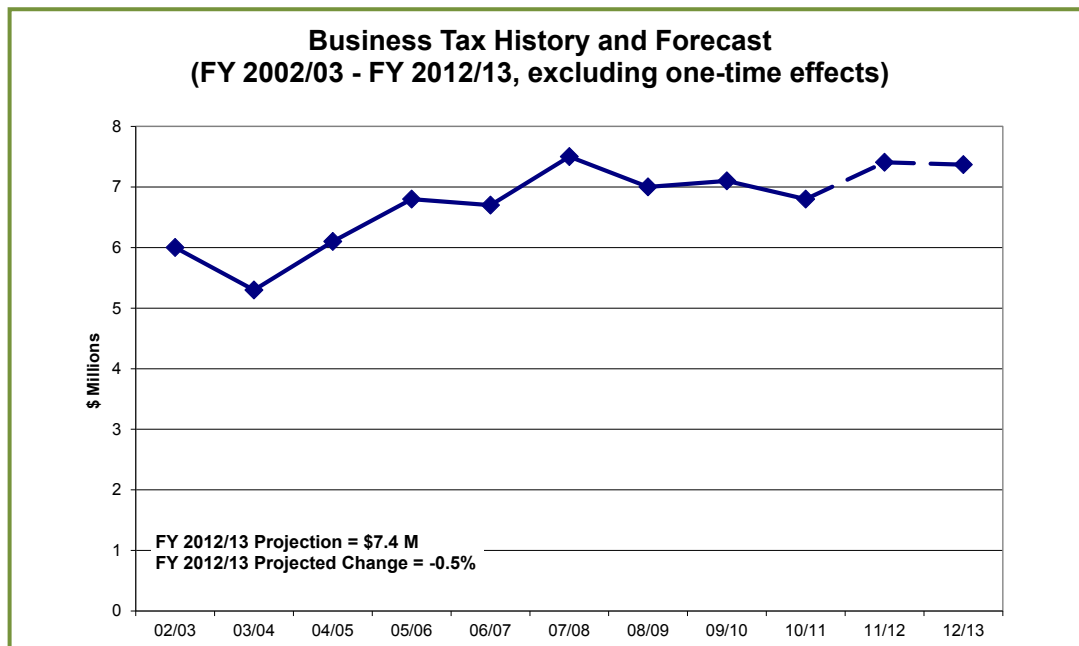


Business License Taxes

Description: Business license taxes are paid by individuals and entities for the privilege of conducting business in Fremont and to help pay for public services that contribute to a favorable business environment. The tax rate depends upon the type and size of the business. Some businesses pay a flat rate, but most pay based either on their gross receipts or payroll. Business license tax receipts tend to fluctuate with economic cycles, though to a lesser degree than sales taxes. As part of a local business stimulus endeavor, the City Council adopted limited term exemptions for clean-tech and bio-tech companies on March 20, 2012, in order to attract and retain those businesses, promote the health of the City's industrial base, and continue the Council's commitment to long-term sustainable energy and environmental goals. The exemption provides for up to five consecutive years for new businesses moving into the City, and up to two consecutive years for businesses that are already currently established in the City.

Forecast: FY 2011/12 business license tax revenues are projected to increase to \$7.4 million (up from \$6.8 million in FY 2011/12), and then decrease 0.5% in FY 2012/13, to just below \$7.4 million. Increased revenues in FY 2011/12 reflect the slow rise out of the recession, and a significant increase in construction tax, which in this case is considered a one-time rather than an ongoing revenue spike – business taxes are generally assessed on gross receipts from the prior year. The decrease in FY 2012/13 removes the one-time construction tax increase, then is projected based on the normal growth and decline patterns in this revenue source.

Key Factors in the Forecast: Since the onset of the high-tech recession in FY 2000/01, business license tax revenues have grown slowly and have even declined in some years. In FY 2003/04, business license taxes decreased to \$5.6 million because of a decline in the City's manufacturing base. The flat rate portion of this revenue modulates severe swings, but business license taxes tend to rise and fall in a pattern similar to that of sales taxes. Due to ongoing collection efforts, coupled with the anticipated improvement in the economy, business license taxes are expected to increase slightly for the next year.



General Fund | Forecast

General Fund Recommended Budget and Forecast Through FY 2013/14			
(Thousands of Dollars)	FY 11/12 Estimated Actual	Proposed FY 12/13	Projected FY 13/14
Revenues:			
Intergovernmental:			
Property Taxes	\$ 46,660	\$ 49,908	\$ 51,160
Property Taxes (VLF Replacement)	15,155	15,231	15,613
Triple Flip - Sales Tax Replacement	7,954	8,352	8,644
Sales and Use Taxes	24,244	25,218	26,484
Vehicle License Fees	108	-	-
Other Intergovernmental	144	146	147
Business License Taxes	7,406	7,368	7,478
Hotel/Motel Taxes	3,843	4,248	4,697
Property Transfer Taxes	900	950	1,002
Franchise Fees	8,100	8,120	8,243
Charges for Services	4,584	4,800	4,921
Fines	2,211	2,288	2,368
Investment Earnings	523	526	528
Paramedic Fees	1,159	1,159	1,159
Other Revenues	1,344	1,378	1,412
Total Revenues	124,335	129,692	133,856
Total Operating Transfers In	5,333	5,254	5,189
Resources Available: (Revenues plus Operating Transfers In)	129,668	134,946	139,045
Expenditures:			
General Government	10,340	11,013	11,133
Police	52,917	52,695	53,366
Fire	32,371	32,185	32,666
Community Preservation	700	752	763
Human Services	-	-	-
Public Works	12,921	12,912	13,025
Community Services	6,530	6,525	6,594
Other Non-Departmental	1,731	3,050	2,950
Less: Citywide Savings	-	(750)	(900)
Total Expenditures	117,510	118,382	119,597
Operating Transfers Out:			
CIP Projects	-	-	-
Downtown Plan	500	500	500
General Fund Transfer for Human Services	3,455	3,308	3,206
Debt	8,021	7,341	7,355
Cost Center Allocations	4,926	4,794	4,794
Other	50	50	50
Transfers to Reserves	-	-	-
Less: Savings on Debt	(1,983)	(925)	(900)
Total Operating Transfers Out	14,969	15,068	15,005
Resources Used: (Expenditures plus Operating Transfers Out)	132,479	133,450	134,602
Net Results of Operations: (Resources Available less Resources Used)	(2,811)	1,496	4,443
Use of Budget Uncertainty Reserve	2,811	-	-
Beginning Fund Balance: (Ending Fund Balance from the Prior Year)	-	-	1,496
Ending Fund Balance	\$ -	\$ 1,496	\$ 5,939

Transfers In (Thousands of Dollars)	Actual FY 10/11	Estimated Actual FY 11/12	Proposed FY 12/13
Overhead Transfers In From Other Funds:			
Overhead Charges to Development (Funds 011, 012, 013)	\$1,690	\$1,745	\$1,842
Overhead Charges to Environmental (Fund 115,123)	374	339	364
Overhead Charges to Paratransit (Fund 178)	19	19	28
Overhead Charges to Human Services Grants	178	168	209
Overhead Charges to Recreation (Fund 189)	734	769	763
Overhead Charges to Human Services (Fund 053)	305	265	275
Overhead Charges to ITS (Fund 620)	477	737	636
Overhead Charges to LLMD's (Fund 460)	6	5	5
Overhead Charges to Multifamily Housing/HOME (Fund 191 & 103)	7	7	1
Overhead Charges to Low & Moderate Housing (Fund 911)	75	52	-
Overhead Charges to RDA (Fund 950)	177	124	-
Other	43	3	31
Sub-total Recurring Transfers In from Other Funds	\$4,085	\$4,233	\$4,154
Miscellaneous Recurring Transfers In:			
Impact Fee Reimbursement	950	850	850
From FRC for Maintenance	250	250	250
Sub-total Misc. Recurring Transfers In	\$1,200	\$1,100	\$1,100
Miscellaneous Non-recurring Transfers In:			
One Time Transfers	600	-	-
Transfer From Budget Uncertainty Reserve	3,418	2,811	-
Sub-total Misc. Non-recurring Transfers In	\$4,018	\$2,811	\$ -
TOTAL OPERATING TRANSFERS IN	\$9,303	\$8,144	\$5,254

General Fund | Transfer Detail

Transfers Out (Thousands of Dollars)	Actual FY 10/11	Estimated Actual FY 11/12	Proposed FY 12/13
Transfers to the CIP:			
Contribution to Other CIP Projects	\$ -	\$ -	\$ -
Downtown Plan	500	500	500
Sub-total - Transfers to the CIP	\$ 500	\$ 500	\$ 500
Transfers for Debt Service:			
1998 COP Police Building	1,312	1,314	-
2001 COP Liberty/Capitol, Fire Land, City Hall	834	1,397	-
2001 COP (B) Liberty/Capitol, Fire Trucks	401	559	-
2008 Fixed COP	1,790	1,790	1,787
2008 Variable COP	1,617	2,609	1,990
2010 Variable Rate COP	14	352	357
2012A Refi of 1998 COPs	-	-	1,173
2012B Refi of 2001A and 2001B COPs	-	-	2,034
Sub-total - Debt Service & Future Bond Issues	\$ 5,968	\$ 8,021	\$ 7,341
Cost Center Allocations:			
Community Development Cost Center	1,981	2,184	2,352
Recreation Cost Center	2,138	2,334	2,034
Senior Center Cost Center	426	408	408
Sub-total - Cost Center Allocations	\$ 4,545	\$ 4,926	\$ 4,794
Other Transfers from the GF:			
Human Services Special Revenue Fund	3,622	3,455	3,308
Other Transfers (SACMCTF \$50k)	50	50	50
Sub-total - Other transfers	\$ 3,672	\$ 3,505	\$ 3,358
Transfers from the GF to Reserves:			
Transfer to Contingency Reserve	-	-	-
Transfer to Program Equity Investment Reserve	-	-	-
Total Reserves	\$ -	\$ -	\$ -
TOTAL OPERATING TRANSFERS OUT	\$14,685	\$16,952	\$15,993

General Fund | Historical Comparison

General Fund Historical and Recommended Budget 2012/13						
(Thousands of Dollars)	FY 07/08 Actual	FY 08/09 Actual	FY 09/10 Actual	FY 10/11 Actual	FY 11/12 Estimated Actual	FY 12/13 Proposed Budget
Revenues:						
Intergovernmental:						
Property Taxes	\$ 44,681	\$ 47,455	\$ 46,614	\$ 46,428	\$ 46,660	\$ 49,908
Property Taxes (VLF Replacement)	14,625	15,378	15,327	15,311	15,155	15,231
Triple Flip - Sales Tax Replacement	8,885	9,010	5,369	7,115	7,954	8,352
Sales and Use Taxes	26,699	22,622	21,401	22,974	24,244	25,218
Vehicle License Fees	939	727	634	991	108	-
Other Intergovernmental	787	270	169	142	144	146
Business License Taxes	7,508	7,010	7,106	6,820	7,406	7,368
Hotel/Motel Taxes	3,181	2,864	2,867	3,476	3,843	4,248
Property Transfer Taxes	1,092	840	976	1,031	900	950
Franchise Fees	7,954	8,329	7,929	8,261	8,100	8,120
Charges for Services	4,444	4,961	4,823	4,472	4,584	4,800
Fines	2,773	3,063	2,734	2,590	2,211	2,288
Investment Earnings	2,584	2,326	1,477	727	523	526
Paramedic Fees	1,104	1,159	1,146	1,159	1,159	1,159
Other Revenues	1,185	1,300	1,307	1,460	1,344	1,378
Total Revenues	128,441	127,314	119,879	122,957	124,335	129,692
Total Operating Transfers In	7,238	6,762	4,985	5,885	5,333	5,254
Resources Available: (Revenues plus Operating Transfers In)	135,679	134,076	124,864	128,842	129,668	134,946
Expenditures:						
General Government	11,496	11,459	10,502	10,149	10,340	11,013
Police	52,473	54,440	52,872	52,953	52,917	52,695
Fire	30,164	32,768	31,019	31,520	32,371	32,185
Community Preservation	723	703	734	663	700	752
Human Services	3,588	3,636	3,415	-	-	-
Public Works	-	15,302	13,857	14,354	12,921	12,912
Community Services	-	5,013	4,621	4,746	6,530	6,525
Other Non-Departmental	1,639	855	1,603	2,968	1,731	3,050
Less: Citywide savings	-	-	-	-	-	(750)
TRANS (debt) Costs	-	673	475	-	-	-
Total Expenditures	100,083	124,849	119,098	117,353	117,510	118,382
Total Operating Transfers Out	39,599	15,651	10,981	14,685	14,969	15,068
Resources Used: (Expenditures plus Operating Transfers Out)	139,682	140,500	130,079	132,038	132,479	133,450
Net Results of Operations: (Resources Available less Resources Used)	(4,003)	(6,424)	(5,215)	(3,196)	(2,811)	1,496
Change in Encumbrance Reserve	255	(183)	(299)	(222)	-	-
Use of Budget Uncertainty Reserve	-	3,475	5,514	3,418	2,811	-
Beginning Fund Balance:						
(Ending Fund Balance from the Prior Year)	6,880	3,132	-	-	-	-
Ending Fund Balance	\$ 3,132	\$ -	\$ -	\$ -	\$ -	\$ 1,496

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Other Funds

Other Funds

For budget purposes, the City's funds are grouped into four categories:

- General Fund
- Cost Center/Internal Service
- Special Revenue
- Capital Funds

The first three categories constitute the City's primary operating funds, and the last one is a special class of fund used for capital investments. Funding for most City operations comes from the first three categories. The following section provides an overview of the City's Cost Centers, Internal Service funds, Special Revenue funds, and Capital funds. Detailed information about the General Fund is available in the General Fund section of this document.



Other Funds

Summary of All Other Funds

(Thousands of Dollars)	Cost Center/ Internal Service Funds	Special Revenue Funds	Capital Funds	Total All Other Funds
Revenues				
Intergovernmental:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Property Taxes (VLF Replacement)	-	-	-	-
Triple Flip - Sales Tax Replacement	-	-	-	-
Sales and Use Taxes	-	917	-	917
Vehicle License Fees	-	-	-	-
Other Intergovernmental	-	7,186	8,380	15,566
Business License Taxes	-	-	-	-
Hotel/Motel Taxes	-	-	-	-
Property Transfer Taxes	-	-	-	-
Franchise Fees	-	-	-	-
Charges for Services	22,719	8,305	-	31,024
Fines	-	-	-	-
Investment Earnings	410	41	388	839
Paramedic Fees	-	-	-	-
Sale of Bonds	-	-	-	-
Other Revenues	854	1,658	4,863	7,375
Total Revenues	23,983	18,107	13,631	55,721
Total Transfers In	4,794	3,358	8,416	16,568
Resources Available: (Revenues plus Total Transfers In)	28,777	21,465	22,047	72,289
Expenditures				
General Government	-	-	-	-
Police	-	1,141	-	1,141
Fire	-	461	-	461
Public Works:				
Engineering	5,897	-	-	5,897
Traffic Engineering	1,948	-	-	1,948
Maintenance	-	-	1,200	1,200
Community Development:				
Planning	4,020	-	-	4,020
Building and Safety	4,972	-	-	4,972
Community Preservation	-	88	-	88
Housing	-	511	-	511
Human Services	674	10,691	-	11,365
Community Services	8,050	6,917	-	14,967
Non-departmental	1,023	200	7,442	8,665
Less: Citywide Savings	-	-	-	-
Debt Costs	-	783	7,341	8,124
Total Expenditures	26,584	20,792	15,983	63,359
Total Transfers Out	4,742	1,157	855	6,754
Resources Used: (Expenditures plus Operating Transfers Out)	31,326	21,949	16,838	70,113
Net Results of Operations: (Resources Available less Resources Used)	(2,549)	(484)	5,209	2,176
Use of Budget Uncertainty Reserve	-	-	-	-
Beginning Fund Balance - 6/30/12 (est.)	14,590	12,920	13,335	40,845
Fund Balance - 6/30/13 (est.)	\$ 12,041	\$ 12,436	\$ 18,544	\$ 43,021

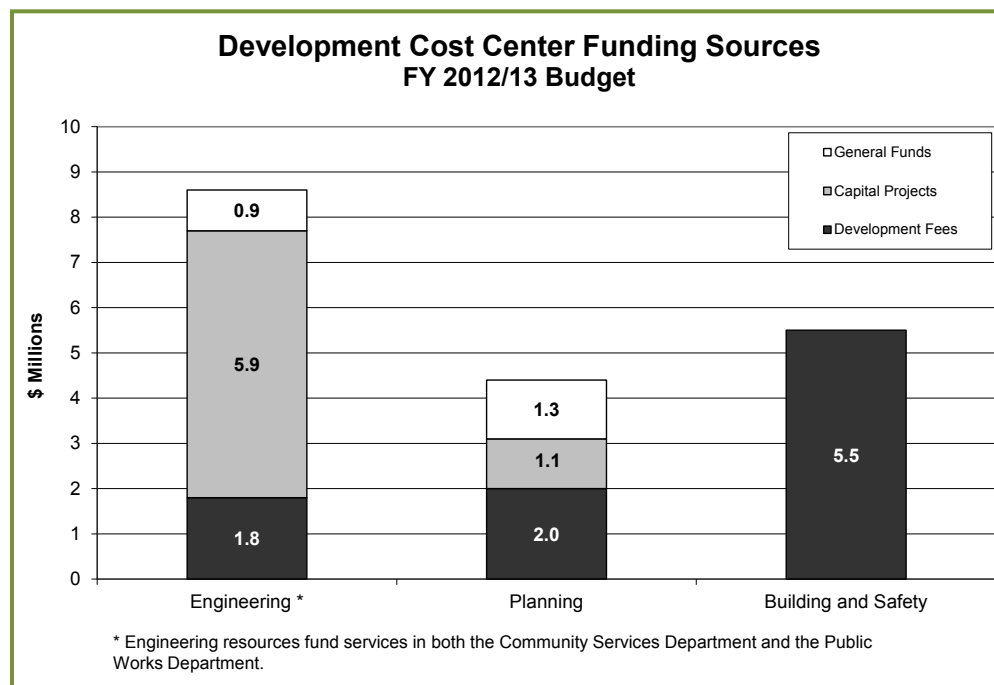
Cost Centers & Internal Service Funds

The City uses cost centers to account for City activities that are predominantly fee-based. These funds receive revenues from external users in the form of fees for services and transfers from other funds for work on City projects. The cost centers are intended to maintain their fund balances from year to year to provide flexibility to respond to revenue decreases or unexpected costs. The City uses internal service funds to account for certain information technology and risk management services, and retiree medical reimbursement provided to the City's operating departments on a full-cost recovery basis.

Development Cost Center

The Development Cost Center budget relies on a combination of development fees, charges to City capital projects, and charges to the General Fund (made in the form of a transfer) for work benefiting the community in general. Each functional area relies on a different mixture of these revenue inflows, so each has fared differently under the recent economic conditions.

During the mid-1990s, development activity in Fremont was thriving. As a hedge against the cyclical nature of the economy, the Development Cost Center accumulated a fund balance intended to pay for technology and capital needs, and to preserve staffing continuity through downturns. Maintaining a base level of staff enables the City to respond effectively when development activity returns. Although the cost center has been effective in prior years in responding to the ebbs and flows of the economy, the current recession has created an unprecedented drop in fee activity and related revenue. At the end of FY 2011/12, the fund balance is projected to be \$2.9 million, which brings the Development Cost Center reserve balance to 14.4% of budgeted expenditures, as compared to the Council adopted reserve policy level of 15.0%.



Other Funds | Cost Centers & Internal Service Funds

The Planning, Engineering, Transportation Engineering, and Landscape Architecture Divisions all receive General Fund support for work program services that benefit the community in general. In FY 2012/13, the General Fund will transfer almost \$2.4 million to the Cost Center, to be spread across Planning, Engineering, Transportation Engineering, and Landscape Architecture for their work programs. The work funded by the General Fund allocation generally includes updating and maintaining the City's General Plan, responding to traffic service requests, managing the City's real property, providing general customer service not associated with a particular project, and responding to City Council referrals.

Recreation Cost Center

The Recreation Cost Center provides services to the public using both user fees and General Fund contributions. Using an enterprise business model in which programs are funded only if they are able to pay for themselves through fees, the Recreation Division successfully delivers programs and activities each year to citizens of all ages. In FY 2012/13, the Recreation Cost Center expects to receive 74% of its \$7.9 million in total available resources from program and user fees, with only 26% coming from General Fund support.

General Fund support enables the Recreation Cost Center to provide low to no-cost services such as Central Park operations, some teen services, the Olive Hyde Art Gallery and community center operations. In FY 2012/13, the General Fund will transfer \$2.0 million to the Cost Center. This transfer is 13% (or \$300,000) lower than the FY 2011/12 transfer due to a decrease in General Fund resources as a part of Citywide realignment. Despite this realignment, the fund balance is anticipated to increase to \$5.0 million by the end of FY 2012/13.

Careful management of the enterprise model for delivering recreation services since the early 1990s has enabled the Cost Center to accumulate a fund balance, projected to be at \$4.7 million at the end of FY 2011/12. Increased participation and rental fees due to increased marketing efforts and new programs, interest on the fund balance and implementing some cost savings strategies have been the primary contributors to the growth of the fund balance in past years. Most of the fund balance serves as an Economic Contingency Reserve to buffer operations from a fluctuating economy, program revenue shortfalls and unforeseen major interruption of services. In FY 2012/13, the Economic Contingency Reserve will be reduced from 25% to 15% (of expenditures and transfers out). This will align the Recreation Cost Center reserve level with that of the Development Cost Center. The Recreation Cost Center fund balance is anticipated to be \$5.0 million by the end of FY 2012/13, which will bring the Economic Contingency Reserve to 51% of budgeted expenditures and transfers out, as compared to the Council adopted policy level of 15%. The remainder of the fund balance is in the Operating Improvement Reserve, which serves as a funding source to launch new revenue generating programs.

Senior Center Cost Center

This Cost Center accounts for revenues and expenditures for programs administered by the Aging and Family Services (AFS) Division of the Human Services Department for the Senior Center and for senior programs serving frail elders. Cost Center resources are comprised of fees for service, restricted grants, private donations, and the General Fund.

Unlike other cost centers, the Senior Center Cost Center relies on General Fund support for the majority of its funding. In FY 2012/13, the amount of General Fund support for the Cost Center will decrease by \$18,000 from FY 2011/12, to \$408,000, due to reductions in employee salary and benefit costs related to labor negotiations that were completed in FY 2011/12.

Staff has responded to funding challenges over the last six years with a combination of fee increases, service reductions, fundraising, and use of reserves. Since FY 2005/06, staff has secured approximately \$10,000 in annual grant funding from Alameda County for the Senior Center. Staff will continue to analyze Senior Center operations for opportunities to increase ongoing non-General Fund revenues and reduce operating costs to minimize long-term sustainability risks.

Risk Management Internal Service Fund

This fund accounts for the City's retained self-insured risks of loss from vehicle and property damage, earthquakes and floods, workers' compensation claims, general liability claims, and unemployment claims. Administrative costs, including insurance coverage through the City's membership in the California Joint Powers Risk Management Authority, are also accounted for in this fund. Resources for this fund are provided through allocation "charges" to the departments and special revenue fund operations that receive these services. Total costs allocated to departments are \$6.0 million in FY 2012/13, which is \$1.1 million (or 17%) lower than the FY 2011/12 allocation of \$7.1 million. The Risk Management fund balance has remained stable over the last few years; therefore, the charges to departments have been reduced for FY 2012/13, leaving a remaining fund balance of \$1.29 million at the end of FY 2012/13.

Information Technology Services Internal Service Fund

This fund accounts for the City's information systems support and technology services. It funds Information Technology Services operations and equipment replacement. Resources for this fund are provided through allocation "charges" to the departments and special revenue fund operations that receive these services. Total allocation charges to departments are \$5.8 million in FY 2012/13 for various capital replacement purchases and software upgrades. The expenditure budget for this fund is decreasing by \$716,000, or 11%, from the adopted FY 2011/12 budget. The decrease is primarily the result of a reduced need for computer replacement because a larger than usual number of computers were upgraded or replaced in FY 2011/12 in preparation for the upgrade to Windows 7 and Office 2010. For FY 2012/13, the IT Services budget includes a transfer out to the Capital Fund of \$1.5 million, for the first year of funding for the Financial System replacement project.

Other Post-Employment Benefits (OPEB) Internal Service Fund

This fund was created in FY 2007/08 to account for the costs of the City's retiree medical benefits. Governmental Accounting Standards Board (GASB) Statement 45 requires that other post-employment benefits (OPEB), such as retiree medical costs, be accounted for in a manner similar to retirement benefits. The City, like most cities in the country, has historically accounted for this cost on a pay-as-you-go basis within all of its various funds. The actuarial valuation performed as part of the City's efforts to manage these costs quantified the unfunded liability at \$71.0 million as of June 30, 2010. This fund now accounts for the pay-as-you-go costs of the City's retiree medical benefits. Although the FY 2007/08 budget anticipated beginning to prefund this liability, that plan was changed in reaction to slowing revenue growth. However, prefunding continues to be a goal for effectively managing this liability, and staff is evaluating a variety of plan design and funding options for future consideration. Until such time as economic recovery becomes more apparent, prefunding will be very difficult and, as such, is not included in the FY 2012/13 budget.

Other Funds | Cost Centers & Internal Service Funds

Cost Centers/Internal Service

(Thousands of Dollars)	Development	Recreation	Internal Service			Internal	Total
	Cost Center	Cost Center	Senior Center	Risk Management	Information Technology	OPEB	Service Reclass*
Revenues							
Intergovernmental:							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes (VLF Replacement)	-	-	-	-	-	-	-
Triple Flip - Sales Tax Replacement	-	-	-	-	-	-	-
Sales and Use Taxes	-	-	-	-	-	-	-
Vehicle License Fees	-	-	-	-	-	-	-
Other Intergovernmental	-	-	-	-	-	-	-
Business License Taxes	-	-	-	-	-	-	-
Hotel/Motel Taxes	-	-	-	-	-	-	-
Property Transfer Taxes	-	-	-	-	-	-	-
Franchise Fees	-	-	-	-	-	-	-
Charges for Services	16,606	5,971	142	6,000	5,800	2,573	(14,373)
Fines	-	-	-	-	-	-	-
Investment Earnings	80	89	-	174	65	2	-
Paramedic Fees	-	-	-	-	-	-	-
Other Revenues	550	104	134	40	26	-	-
Total Revenues	17,236	6,164	276	6,214	5,891	2,575	(14,373)
Total Transfers In	2,352	2,034	408	-	-	-	-
Resources Available:							
(Revenues plus Total Transfers In)	19,588	8,198	684	6,214	5,891	2,575	(14,373)
Expenditures							
General Government	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-
Public Works:							
Engineering	5,897	-	-	-	-	-	-
Traffic Engineering	1,948	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-
Community Development:							
Planning	4,020	-	-	-	-	-	-
Building and Safety	4,972	-	-	-	-	-	-
Community Preservation	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Human Services	-	-	674	-	-	-	-
Community Services	909	7,141	-	-	-	-	-
Non-departmental	-	-	-	7,211	5,612	2,573	(14,373)
Less: Citywide Savings	-	-	-	-	-	-	-
Debt Costs	-	-	-	-	-	-	-
Total Expenditures	17,746	7,141	674	7,211	5,612	2,573	(14,373)
Total Transfers Out	1,842	763	1	-	2,136	-	-
Resources Used:							
(Expenditures plus Operating Transfers Out)	19,588	7,904	675	7,211	7,748	2,573	(14,373)
Net Results of Operations:							
(Resources Available less Resources Used)	-	294	9	(997)	(1,857)	2	-
Use of Budget Uncertainty Reserve	-	-	-	-	-	-	-
Beginning Fund Balance - 6/30/12 (est.)	2,910	4,741	277	2,283	4,251	128	n/a
Fund Balance - 6/30/13 (est.)	\$ 2,910	\$ 5,035	\$ 286	\$ 1,286	\$ 2,394	\$ 130	n/a
							\$ 12,041

* NOTE: The "Charges for Services" and "Non Departmental Expenditures" in the Risk Management, Information Technology, and OPEB Funds have been reclassified and are not part of the Cost Center/Internal Service Funds total because these amounts are included in other departments' budgets.

Other Funds | Cost Centers & Internal Service Funds

Cost Centers/Internal Service

(Thousands of Dollars)	Budget 2010/11	Budget 2011/12	Budget 2012/13
Beginning Fund Balance	\$ 12,618	\$ 13,303	\$ 14,590
Revenues			
Intergovernmental:			
Property Taxes	-	-	-
In-lieu VLF	-	-	-
In-lieu Sales Tax	-	-	-
Sales and Use Taxes	-	-	-
Vehicle License Fees	-	-	-
Other Intergovernmental	-	-	-
Business Taxes	-	-	-
Hotel/Motel Taxes	-	-	-
Property Transfer Taxes	-	-	-
Franchise Fees	-	-	-
Charges for Services	22,466	23,415	22,719
Fines	-	-	-
Investment Earnings	467	377	410
Paramedic Fees	-	-	-
Other Revenues	750	822	854
Total Revenues	23,683	24,614	23,983
Operating Transfers In	4,545	5,153	4,794
Total Available Resources	40,846	43,070	43,367
Expenditures			
General Government	-	-	-
Police	-	-	-
Fire	-	-	-
Public Works:			
Engineering	6,756	5,915	5,897
Traffic Engineering	2,000	2,117	1,948
Maintenance	-	-	-
Community Development:			
Planning	3,829	3,770	4,020
Building and Safety	4,844	5,596	4,972
Community Preservation	-	-	-
Housing	-	-	-
Human Services	660	686	674
Community Services	7,127	8,082	8,050
Non-departmental	(146)	483	1,023
Less: Citywide Savings	-	-	-
Debt Costs	-	-	-
Total Expenditures	25,070	26,649	26,584
Operating Transfers Out	3,635	4,497	4,742
Transfers to Reserves	-	-	-
Total Use of Resources	28,705	31,146	31,326
Ending Fund Balance	\$ 12,141	\$ 11,924	\$ 12,041

Special Revenue Funds

Special revenue funds account for activities (other than major capital projects) funded by special-purpose revenues. Such revenues are typically legally restricted for specific purposes and may not be spent as part of the General Fund for general public safety or maintenance activities. Most of the federal, State, and County grants the City receives are accounted for in special revenue funds. Such grant revenues typically must be spent and accounted for according to the specific grant requirements.

Human Services

The Human Services Department relies on General Fund support, grants, charges for service, and rents from the Family Resource Center (FRC) to provide a wide range of services to families and seniors. The non-General Fund sources featured in this special revenues subsection comprise 71% of the department's total funding sources in FY 2012/13. The table on page 97 shows the special revenue funding sources for Human Services. For information on the total Human Services budget, including the use of General Fund resources, please see the Department Budgets section of this document.

Beginning in FY 2010/11, the General Fund portion of the Human Services budget was transitioned to a new fund, and receives an allocation that represents the General Fund's support for funding Human Services programs. In FY 2012/13, the General Fund will transfer \$3.3 million to the Human Services Special Revenue Fund, which represents 27% of the Department's total operating budget. The remaining 2% of the Human Services expenditure budget is supported by charges for services and rents from the FRC.

Grants and Other Special Purpose Funding

The City receives grants and special purpose funding for Human Services activities from a number of different sources:

1. **Alameda County:** Probation Department funds for Youth and Family Counseling; funds to divert at-risk youth from the criminal justice system.
2. **Alameda County:** Department of Behavioral Health funds to support a multi-disciplinary team approach to family support at the Fremont Family Resource Center.
3. **Alameda County and Union City:** Funds to provide services to elders in Fremont and the Tri-City area.
4. **Eden Housing:** Funding for providing onsite senior support services to residents at Cottonwood Senior Housing.
5. **Mobile Mental Health Grant:** Funding from Proposition 63 for mental health services to home-bound clients in order to improve their ability to live safely in the community.
6. **Proposition 10 (tobacco taxes):** Funds allocated by the County to support early childhood programs in Youth and Family Services.

Other Funds | Special Revenue Funds

7. **State Department on Aging:** Funds for the Multipurpose Senior Services Program (funded by the State using State and federal dollars) to provide services aimed at assisting frail elders to remain in their homes.
8. **State Medi-Cal Reimbursement:** Funds received through reimbursement for counseling and support services provided to youth and seniors.

Outside Special Revenue funding sources are projected to increase from \$2.9 million in FY 2011/12 to \$3.2 million for FY 2012/13. This increase is attributable to new funding awarded by Eden Housing to provide onsite senior support services to residents at Cottonwood Senior Housing, and an increase to Measure A funding awarded by the Alameda County Health Care Services Agency for the FRC.

Paratransit

This fund accounts for the monies used to fund the City's paratransit program. Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related activities such as the paratransit program. Funding for paratransit services is projected to increase by 19.4% in FY 2012/13, from \$813,000 to \$971,000, as the Alameda County Transportation Commission is anticipating an increase in paratransit revenue based on higher County Measure B sales tax projections.

Family Resource Center Fund

This fund accounts for the revenues and costs associated with the Fremont Family Resource Center (FRC). Rental payments by the various tenants of the FRC fund the salaries and benefits of the FRC staff and operating and capital expenditures at the facility. This fund also includes grants from private foundations to support programs at the FRC. FRC funding will increase by \$22,000 in FY 2012/13.

CDBG

This fund accounts for the City's allocation of federal Community Development Block Grant (CDBG) funds received from the U.S. Department of Housing and Urban Development (HUD) for the purpose of developing viable urban communities. Through the CDBG program, the City receives an annual entitlement grant to address certain housing and community development needs. Federal regulations require that at least 70% of the City's CDBG grant must directly benefit low and moderate-income households, with each community tailoring its program to address specific local needs.

CDBG entitlement funds are received on a project cost-reimbursement basis. The FY 2012/13 budget of \$1,787,000 is \$48,000 less than the FY 2011/12 budget of \$1,835,000 because the annual entitlement for this grant has been reduced by HUD.

HOME

This fund is administered by the Human Services Department and accounts for monies received under the HOME Investment Partnership (HOME) Act. HOME funds can be used to acquire, rehabilitate, finance, and construct affordable housing. For FY 2011/12, the estimated actual expenditures for

the HOME grant are expected to be \$521,836. The FY 2012/13 budget is \$255,270, representing a decrease of 51% from FY 2011/12 because of a decrease in funding as a result of congressional budget cuts to HUD.

Housing Successor Agency

This fund accounts for the Housing Successor Agency that was the Housing portion of the former Redevelopment Agency. The Redevelopment Agency was dissolved as of February 1, 2012, and the Housing Successor Agency is now included here. The Housing Successor Agency budget for FY 2012/13 is \$279,000, and is included with the Special Revenue funds.

Multi-Family Housing

This fund accounts for tax-exempt multi-family housing bond monitoring fees paid to the City. The bonds were paid off during FY 2011/12; therefore, the City will not receive any new revenue for FY 2012/13. The remaining fund balance, approximately, \$9,000, will pay for a portion of the costs of the Housing Successor Agency.

Public Safety Grants

The City receives grants for public safety activities from a variety of sources:

1. **AB3229 - Community Oriented Policing Services (COPS) Front Line Enforcement:** This fund accounts for monies from the State which are distributed by the County to be spent on front line law enforcement activities.
2. **Abandoned Vehicle Abatement:** This fund accounts for monies received by the City under California Vehicle Code (CVC) sections 9250.7 and 22710 and used for the abatement, removal, and disposal as public nuisances of any abandoned, wrecked, dismantled, or inoperative vehicles from private or public property.
3. **Southern Alameda County Major Crimes Task Force (SACMCTF):** This fund accounts for the proceeds from assets forfeited as the result of drug and gang activities and contributions from the cities of Fremont, Newark, and Union City. The City of Fremont's contribution comes from the General Fund and is displayed as a "Transfer Out" on page 82.
4. **Metropolitan Medical Response System (MMRS):** This fund accounts for federal grants to fund the purchase of anti-terrorism equipment, medications, and training and exercise for terrorism response.
5. **State Office of Traffic Safety Grant:** This fund accounts for monies received from the State to provide funding for innovative traffic enforcement programs and public relations for a countywide campaign against drinking drivers.

Grant revenues related to public safety services are projected to decrease by 4% from the level budgeted in FY 2011/12 due to decreased funding for the Assistance to Firefighter Grants. For other grant funding sources, there are carry-over grant monies unspent from prior years that will be used in FY 2012/13.

Environmental Services

The City receives special purpose funding for Environmental Services activities from a number of different sources:

- 1. Integrated Waste Management:** This fund accounts for monies received by the City from solid waste collection rates and used to comply with the provisions of AB 939 for the purpose of carrying out recycling, household hazardous waste, and solid waste management programs. The current fund balance serves two purposes: (1) to support rate stabilization, and (2) to cover transition costs associated with landfill closure.
- 2. Urban Runoff Clean Water Program:** This fund accounts for monies received to comply with the federal Clean Water Act of 1987, which requires that stormwater discharges from municipal storm drain systems be regulated under a nationwide surface water permit program. In order to obtain a permit, the City must implement programs to evaluate sources of pollutants in urban storm drain runoff, estimate pollutant loads, evaluate control measures, and implement a program of pollution controls.
- 3. Measure D:** This fund accounts for monies received by the City from the Measure D surcharge imposed on unincorporated Alameda County landfills. The City became eligible to receive its per capita share of the Measure D surcharge beginning July 1, 2010, when it transitioned to the Altamont Landfill for landfill disposal services. These funds are restricted to expenditures incurred for waste diversion and recycling activities that are designed to reduce the amount of waste transferred to the landfill.

Expenditures are budgeted to increase by 4.6%, from \$7.0 million in FY 2011/12 to \$7.4 million in FY 2012/13. The majority of the increase is in the salary and benefits area due to transferring 0.5 FTE back from Community Development and additional part-time staff needed to meet permit requirements. In addition, the budget for services and supplies has increased due to additional grant funds received that will help the City comply with additional permit requirements.

Federal Economic Stimulus Grants

For FY 2012/13, budgets include funding from the American Recovery and Reinvestment Act of 2009 (ARRA), which is also commonly known as the federal Stimulus Package. The main objectives of the federal stimulus funding are to create jobs and stabilize the economy. ARRA funding is targeted to programs in the areas of health care, energy, infrastructure, education, public safety, transportation, environment, affordable housing, and economic development. The City of Fremont has been awarded stimulus funding in various forms. Most of the projects and programs are coming to an end as the Homeless Prevention and Rapid Rehousing program and CDBG-R sunset at the end of FY 2011/12. In FY 2012/13, approximately \$1.9 million will be used for various energy efficiency and conservation projects, including conversion of City street lights to more energy-efficient LED technology, and upgrading to more energy-efficient heating and cooling equipment in City buildings, with completion expected by November 2012. These stimulus funds are accounted for in a number of funds/departments, and are subjected to special Single Audit requirements.

Special Revenue Funds

(Thousands of Dollars)	Human Services					Housing Successor	Multi-Family Housing	Public Safety Grants	Environmental Services Funds	Total Special Revenues
	Grants/ CDBG	Paratransit	FRC	Human Services	HOME					
Revenues										
Intergovernmental:										
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes (VLF Replacement)	-	-	-	-	-	-	-	-	-	-
Triple Flip - Sales Tax Replacement	-	-	-	-	-	-	-	-	-	-
Sales and Use Taxes	-	917	-	-	-	-	-	-	-	917
Vehicle License Fees	-	-	-	-	-	-	-	-	-	-
Other Intergovernmental	5,002	19	410	17	255	-	-	1,334	149	7,186
Business License Taxes	-	-	-	-	-	-	-	-	-	-
Hotel/Motel Taxes	-	-	-	-	-	-	-	-	-	-
Property Transfer Taxes	-	-	-	-	-	-	-	-	-	-
Franchise Fees	-	-	-	-	-	-	-	-	-	-
Charges for Services	132	35	96	173	-	-	-	-	7,869	8,305
Fines	-	-	-	-	-	-	-	-	-	-
Investment Earnings	-	-	22	5	-	-	-	14	-	41
Paramedic Fees	-	-	-	-	-	-	-	-	-	-
Other Revenues	149	-	1,236	23	-	250	-	-	-	1,658
Total Revenues	5,283	971	1,764	218	255	250	-	1,348	8,018	18,107
Total Transfers In	-	-	-	3,308	-	-	-	50	-	3,358
Resources Available: (Revenues plus Total Transfers In)	5,283	971	1,764	3,526	255	250	-	1,398	8,018	21,465
Expenditures										
General Government	-	-	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	1,141	-	1,141
Fire	-	-	-	-	-	-	-	461	-	461
Public Works:										
Engineering	-	-	-	-	-	-	-	-	-	-
Traffic Engineering	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-	-	-	-
Community Development:										
Planning	-	-	-	-	-	-	-	-	-	-
Building and Safety	-	-	-	-	-	-	-	-	-	-
Community Preservation	-	-	-	-	-	-	-	-	88	88
Housing	-	-	-	-	253	250	8	-	-	511
Human Services	5,237	897	1,116	3,441	-	-	-	-	-	10,691
Community Services	-	-	-	-	-	-	-	-	6,917	6,917
Non-departmental	-	-	-	-	-	-	-	-	200	200
Less: Citywide Savings	-	-	-	-	-	-	-	-	-	-
Debt Costs	-	-	783	-	-	-	-	-	-	783
Total Expenditures	5,237	897	1,899	3,441	253	250	8	1,602	7,205	20,792
Total Transfers Out	185	28	273	275	2	29	1	-	364	1,157
(Expenditures plus Operating Transfers Out)	5,422	925	2,172	3,716	255	279	9	1,602	7,569	21,949
Net Results of Operations:										
(Resources Available less Resources Used)	(139)	46	(408)	(190)	-	(29)	(9)	(204)	449	(484)
Use of Budget Uncertainty Reserve	-	-	-	-	-	-	-	-	-	-
Beginning Fund Balance - 6/30/12 (est.)	1,224	127	3,644	816	4	284	9	1,305	5,507	12,920
Fund Balance - 6/30/13 (est.)	\$ 1,085	\$ 173	\$ 3,236	\$ 626	\$ 4	\$ 255	\$ -	\$ 1,101	\$ 5,956	\$ 12,436

Other Funds | Special Revenue Funds

Special Revenue Funds

(Thousands of Dollars)	Budget 2010/11	Budget 2011/12	Budget 2012/13
Beginning Fund Balance	\$ 12,443	\$ 13,374	\$ 12,920
Revenues			
Intergovernmental:			
Property Taxes	-	-	-
In-lieu VLF	-	-	-
In-lieu Sales Tax	-	-	-
Sales and Use Taxes	779	753	917
Vehicle License Fees	-	-	-
Other Intergovernmental	8,358	7,336	7,186
Business Taxes	-	-	-
Hotel/Motel Taxes	-	-	-
Property Transfer Taxes	-	-	-
Franchise Fees	-	-	-
Charges for Services	7,801	7,655	8,305
Fines	-	-	-
Investment Earnings	17	9	41
Paramedic Fees	-	-	-
Other Revenues	1,329	1,219	1,658
Total Revenues	18,284	16,972	18,107
Operating Transfers In	4,125	3,787	3,358
Total Available Resources	34,852	34,133	34,385
Expenditures			
General Government	-	-	-
Police	1,527	994	1,141
Fire	640	712	461
Public Works:			
Engineering	-	-	-
Traffic Engineering	-	-	-
Maintenance	-	-	-
Community Development:			
Planning	-	-	-
Building and Safety	-	-	-
Community Preservation	88	88	88
Housing	601	550	511
Human Services	11,697	11,026	10,691
Community Services	6,880	6,595	6,917
Non-departmental	425	481	200
Less: Citywide Savings	-	-	-
Debt Costs	825	892	783
Total Expenditures	22,683	21,338	20,792
Operating Transfers Out	1,649	1,258	1,157
Transfers to Reserves	-	-	-
Total Use of Resources	24,332	22,596	21,949
Ending Fund Balance	\$ 10,520	\$ 11,537	\$ 12,436

Capital Funds

The five-year Capital Improvement Program (CIP) is adopted bi-annually, and includes appropriations for projects for FY 2011/12 through FY 2015/16. Selected excerpts from the Plan are included with the operating budget to present a comprehensive picture of all the funds of the City and to reflect fund transfers approved between other operating funds and capital funds. This section contains a description of the CIP funds, a summary of approved expenditures by program category, and highlights of key projects for the current fiscal year. Additional CIP summary information can be found in the Capital Budget Summary section of this document. The complete capital plan can be found in the City's CIP.

General Fund Group

These funds are transferred from the General Fund and may be used for projects designated by the City Council. The debt service budget for assets acquired using certificates of participation (COPs) is also displayed here.

Vehicle Replacement

Vehicle replacement resources are collected through annual charges to City departments based on their actual vehicle fleet. The charges are intended to provide funding for anticipated vehicle replacement needs in the budget year. Funds not used in one year are retained in the fund for future years, thereby potentially reducing departmental charges in the future.

Gas Tax Funds

Revenue in this fund comes from State gas tax and other sources, such as Measure B sales tax distributions, and can only be used for street maintenance and other traffic improvement projects.

Park Impact Fee Funds

Funds in this group are restricted to acquisition, development, and/or rehabilitation of park land. The Parks and Recreation chapter of the General Plan contains the City's policies, standards, and guidelines for acquisition and development activities eligible for funding with park funds. The City Council has also adopted a Parks and Recreation Master Plan. The FY 2011/12-FY 2015/16 Capital Improvement Program projects the use of the accumulated fund balance in these funds over the next five years.

Traffic Impact Fee Funds

Traffic impact fees are collected from development projects for streets, intersection improvements, and other infrastructure necessary to mitigate the transportation impacts of new development. These funds come from fees levied on all new development in the City.

Restricted Capital Funds

These funds are included by reference only; the amounts noted show the funds received from various grants that can only be used for a specific capital project. All projects in this group are either partially or fully funded by other funding sources not available for use other than as specified. Refer to the “restricted funds group” detail in the CIP document.

Capital Improvement Funds

(Thousands of Dollars)	General Fund Group	Vehicle Replacement	Gas Tax	Park Impact Fees	Traffic Impact Fees	Restricted Group	Expenditure Reclass*	Total Projects
Revenues								
Intergovernmental:								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes (VLF Replacement)	-	-	-	-	-	-	-	-
Triple Flip - Sales Tax Replacement	-	-	-	-	-	-	-	-
Sales and Use Taxes	-	-	-	-	-	-	-	-
Vehicle License Fees	-	-	-	-	-	-	-	-
Other Intergovernmental	-	-	8,380	-	-	-	-	8,380
Business License Taxes	-	-	-	-	-	-	-	-
Hotel/Motel Taxes	-	-	-	-	-	-	-	-
Property Transfer Taxes	-	-	-	-	-	-	-	-
Franchise Fees	-	-	-	-	-	-	-	-
Charges for Services	-	852	-	-	-	-	(852)	-
Fines	-	-	-	-	-	-	-	-
Investment Earnings	70	60	69	129	60	-	-	388
Paramedic Fees	-	-	-	-	-	-	-	-
Other Revenues	70	50	-	2,888	1,000	855	-	4,863
Total Revenues	140	962	8,449	3,017	1,060	855	(852)	13,631
Total Transfers In	8,416	-	-	-	-	-	-	8,416
Resources Available:								
(Revenues plus Total Transfers In)	8,556	962	8,449	3,017	1,060	855	(852)	22,047
Expenditures								
General Government	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-
Public Works:								
Engineering	-	-	-	-	-	-	-	-
Traffic Engineering	-	-	-	-	-	-	-	-
Maintenance	-	-	1,200	-	-	-	-	1,200
Community Development:								
Planning	-	-	-	-	-	-	-	-
Building and Safety	-	-	-	-	-	-	-	-
Community Preservation	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-
Non-departmental	2,101	1,500	6,813	4,081	1,166	-	(8,219)	7,442
Less: Citywide Savings	-	-	-	-	-	-	-	-
Debt Costs	7,341	-	-	-	-	-	-	7,341
Total Expenditures	9,442	1,500	8,013	4,081	1,166	-	(8,219)	15,983
Total Transfers Out	-	-	-	-	-	855	-	855
Resources Used:								
(Expenditures plus Operating Transfers Out)	9,442	1,500	8,013	4,081	1,166	855	(8,219)	16,838
Net Results of Operations:								
(Resources Available less Resources Used)	(886)	(538)	436	(1,064)	(106)	-	7,367	5,209
Use of Budget Uncertainty Reserve	-	-	-	-	-	-	-	-
Beginning Fund Balance - 6/30/12 (est.)	3,416	3,702	1,184	1,113	3,920	-	n/a	13,335
Fund Balance - 6/30/13 (est.)	\$ 2,530	\$ 3,164	\$ 1,620	\$ 49	\$ 3,814	\$ -	n/a	\$ 18,544

*NOTE: A portion of Capital Improvement Funds' expenditures are reclassified because costs for design, engineering, and other staff charges to capital projects are budgeted as part of the costs of projects and also included in departments' budgets. Total fund balance does not include available fund balances in restricted fund groups which are contained in the CIP.

Capital Improvement Funds

(Thousands of Dollars)	Budget 2010/11	Budget 2011/12	Budget 2012/13
Beginning Fund Balance	\$ 16,085	\$ 10,629	\$ 13,335
Revenues			
Intergovernmental:			
Property Taxes	-	-	-
In-lieu VLF	-	-	-
In-lieu Sales Tax	-	-	-
Sales and Use Taxes	-	-	-
Vehicle License Fees	-	-	-
Other Intergovernmental	7,668	7,498	8,380
Business Taxes	-	-	-
Hotel/Motel Taxes	-	-	-
Property Transfer Taxes	-	-	-
Franchise Fees	-	-	-
Charges for Services	-	-	-
Fines	-	-	-
Investment Earnings	2,244	1,972	388
Paramedic Fees	-	-	-
Other Revenues	3,531	4,071	4,863
Total Revenues	13,443	13,541	13,631
Operating Transfers In	8,098	8,021	8,416
Total Available Resources	37,626	32,191	35,382
Expenditures			
General Government	-	-	-
Police	-	-	-
Fire	-	-	-
Public Works:			
Engineering	-	-	-
Traffic Engineering	-	-	-
Maintenance	1,200	1,200	1,200
Community Development:			
Planning	-	-	-
Building and Safety	-	-	-
Community Preservation	-	-	-
Housing	-	-	-
Human Services	-	-	-
Community Services	-	-	-
Non-departmental	10,424	5,288	7,442
Less: Citywide Savings	-	-	-
Debt Costs	7,573	6,521	7,341
Total Expenditures	19,197	13,009	15,983
Operating Transfers Out	3,556	856	855
Transfers to Reserves	-	-	-
Total Use of Resources	22,753	13,865	16,838
Ending Fund Balance	\$ 14,873	\$ 18,326	\$ 18,544

Capital Budget Summary

Capital Budget Summary

The un-italicized text that follows is excerpted from the FY 2011/12-FY 2015/16 Adopted Capital Improvement Program (CIP) dated June 7, 2011. The City Council adopted document is a five-year program/plan. A few minor edits have been made to the text for the purpose of incorporating this information into the Operating Budget. In addition, there are a few substantive changes related to the dissolution of redevelopment in FY 2011/12.

The Capital Improvement Program (CIP) budget is developed every two years. This year's CIP forecasts and allocates the resources the City will use to build and maintain its infrastructure between FY 2011/12 and FY 2015/16. The plan allocates money for capital projects and the maintenance of existing infrastructure for five years, with project funding appropriated annually on July 1. The next CIP will be developed in FY 2012/13, covering fiscal years 2013/14 through 2017/18. The CIP is a budget, but it is also a tool to facilitate strategic thought and comprehensive capital planning. The structure of this process provides the opportunity to finance capital infrastructure and maintenance projects, balance the City's needs and priorities for a five-year period, and develop a plan that is strategic, comprehensive, and flexible. This memo introduces the FY 2011/12 - 2015/16 CIP, provides the context of the plan development, highlights several projects, and explains key components of the plan.

The investment in and maintenance of the City's physical infrastructure continues to be a priority of the City. The development of this year's CIP reflects the decrease in some City revenues as a result of a slow and anemic economic recovery from the Great Recession coupled with the need to divert revenue in certain cases to cover increasing personnel costs. Decreased development activity has also resulted in lower development impact fee revenues. Given these shrinking resources, this capital plan is largely limited to and focused on basic preservation and maintenance of our capital assets.

The fact remains that the City's basic capital needs far exceed available resources and the City still faces a shortfall in funding for maintenance of its infrastructure. The ongoing State budget crisis challenges the City's ability to effectively plan for the maintenance of its assets by manipulating funding sources such as sales tax and property tax revenues. This year the State is also threatening to end local redevelopment agencies and redevelopment funding. This capital plan does not sufficiently fund core maintenance needs, including street overlays, despite allocating more resources to it than in previous CIPs. *When the FY 2011/12 CIP was adopted, it assumed the continuation of the Redevelopment Agency. Because redevelopment agencies statewide have now been dissolved, the City no longer has the ability to fund future projects in this manner.*

City staff and the City Council have had to meet the challenge of maintaining the City's asset base in this current fiscal environment given the growth of this base over the past 15 years. As the City continues to develop and as these assets age, the challenge will be to fund ongoing maintenance of these assets. Given declining revenues over the last fiscal year, this capital plan presents serious challenges with respect to simply maintaining the status quo. For example, this capital plan proposes \$17.35 million over five years for street overlays. While this amount is an improvement over previous capital plans, due to the new \$10 Vehicle Registration Fee, the pavement budget would need to be funded at over \$15 million each year to simply maintain the current condition of our streets.

Capital Budget Summary

In addition to the ongoing maintenance of the City's physical infrastructure, the City's unfunded capital needs continue to grow. The funding challenges were apparent so early on in the development of this capital budget, that staff did not even consider submitting new capital projects. The primary emphasis of this CIP is maintaining the City's existing assets.

Given the current recession and the threat of State takeaways, the City must carefully and prudently target capital spending. In spite of these challenges, the City will move forward with a significant capital work program, focused primarily on major maintenance items, resulting from a variety of restricted capital funding sources, including gas tax, development impact fees and other sources. The FY 2011/12 – 2015/16 CIP programs approximately \$240 million of funds for capital projects over the next five years and Fremont residents will benefit from the improvements to parks, transportation facilities, roads and public buildings proposed in this document.

CIP Funding Sources

Capital Improvement Fund 501 – This CIP fund is unrestricted and can be used for any capital project designated by the City Council. This portion of the CIP budget draws funding from a variety of sources, including the City's General Fund, interest earnings, unappropriated fund balance, fund transfers and proceeds from unexpended funds from project closeouts. Staff estimates that this fund will have approximately \$6.5 million available over the next five years for capital projects. This includes \$1.6 million in beginning fund balance, much of which is comprised of Local Improvement District surplus funds, interest earnings, and previous closeouts of CIP projects. The City's only contribution from the General Fund is the \$2.5 million programmed over the five years of the plan toward the development of the City's Downtown Project. No General Fund contributions are proposed for appropriation for other capital projects.

Gas Tax Fund Group – Revenue in this fund group comes from the City's share of the State-collected gasoline taxes, funds from the Measure B half-cent sales tax for transportation-related expenditures, and the new county-wide Vehicle Registration Fee. The City can only use these funds for street maintenance and other transportation improvement projects. Staff estimates that this fund group will have approximately \$41.2 million available over the next five years for capital projects. This includes over \$40.3 million in new revenues, \$566,000 in beginning balance and \$366,000 in interest earnings. These total funds available in the gas tax group are up approximately \$2 million from the previous CIP, largely due to the \$3.6 million in new vehicle registration fee revenue, but continue to fall far short of meeting Fremont's roads and infrastructure needs.

Traffic Impact Fee (TIF) – This fund group accounts for monies received from developers to mitigate impacts on the City's transportation networks resulting from new development. The funds reflect new development's share of the cost of street improvements, interchanges, and other traffic infrastructure improvements. Over the next five years, staff estimates that the total available resources for this fund group will be \$12.1 million. Staff based these estimates on projected residential and non-residential construction activity and interest earnings over the next five years. Year to year, the traffic impact fee fund amount available is variable based on development activity. This amount reflects an anticipated \$3.7 million in TIF funds from the close out of the Grade Separation project.

Bike & Pedestrian Fund Group – This fund group accounts for Alameda County Measure B funds and funds from the new county-wide Vehicle Registration Fee dedicated only to bicycle and pedestrian projects. The City can only use these funds for transportation improvement projects that positively impact the flow of bicycle and pedestrian traffic throughout the City. Staff estimates that this fund group will have approximately \$2.92 million available over the next five years for capital projects. This includes \$2.8 million in new revenues, \$67,000 in estimated beginning fund balance, and \$62,000 in interest earnings.

Park Development Impact Fees – This fund group accounts for monies received from developers to mitigate impacts on the parks system resulting from new development and population growth. According to State law, these funds can only be used to expand existing parks or to develop newly acquired parkland. Staff based these fee driven revenue estimates on projected residential construction activity and interest earnings over the next five years. This CIP cycle, this fund group also includes projects funded by Measure WW. This fund group is expected to have approximately \$15.4 million available over the five-year CIP period. The funds available include \$2.7 million in beginning fund balance, \$7.4 million in revenues via collected fees, \$4.7 million in Measure WW funding and \$600,000 in interest earnings.

Park Dedication In Lieu Fees – This fund group accounts for monies received from developers to acquire additional parkland within the City. Based on staff estimates, this fund will have approximately \$26.7 million available over the five-year CIP period to acquire parkland. Beginning fund balance comprises \$20.6 million of this amount while new fees and interest earnings generate \$5.8 million and \$400,000 respectively. This plan does not include appropriations for acquisition of any specific projects or potential park sites during the next five years. The City will hold the funds in an account until an appropriate site for acquisition is found. Whenever desirable sites are available for acquisition, staff will return to the City Council for approval and appropriation authority.

Redevelopment Agency Fund Group – *Removed due to the dissolution of redevelopment in FY 2011/12.*

Committed/Restricted Fund Group – This fund group accounts for funds the City projects to receive from State, federal and other agencies to fully or partially fund specific capital projects. It also lists internal restricted City funds available for specified purposes within the plan. Estimates of the total funding programmed to projects in this group are \$1.6 million. The funds available in this group include grants from the Federal Highway Safety Improvement Program (HSIP) and the Transportation for Clean Air (TFCA) for traffic improvements, as well as the Development Cost Center Technology Reserve. These outside funding sources help to relieve the pressure on other available CIP funding sources.

Capital Budget Summary

Unfunded Needs

The proposed FY 2011/12 – 2015/16 CIP does not represent the full picture of project funding needs. From the beginning of the development of this CIP, staff was aware of the funding challenges and, accordingly, considered a small list of high priority projects that balanced the amount of funds available with making a meaningful, but limited, impact on the needed capital improvements and deferred maintenance. For example, the cost of bringing the street pavement condition back to “Good,” as measured by a Pavement Condition Index (PCI) of 83, would be approximately \$350 million over ten years, which is clearly beyond the City’s available or projected financial resources. Staff has continued to first focus attention on existing State and local funding sources, which are constrained and declining in real value, and will continue to search for other sources and mechanisms for meeting some of the unfunded needs outlined in this plan. Additionally, many projects shown in this CIP, while receiving funding, are funded at minimal levels.

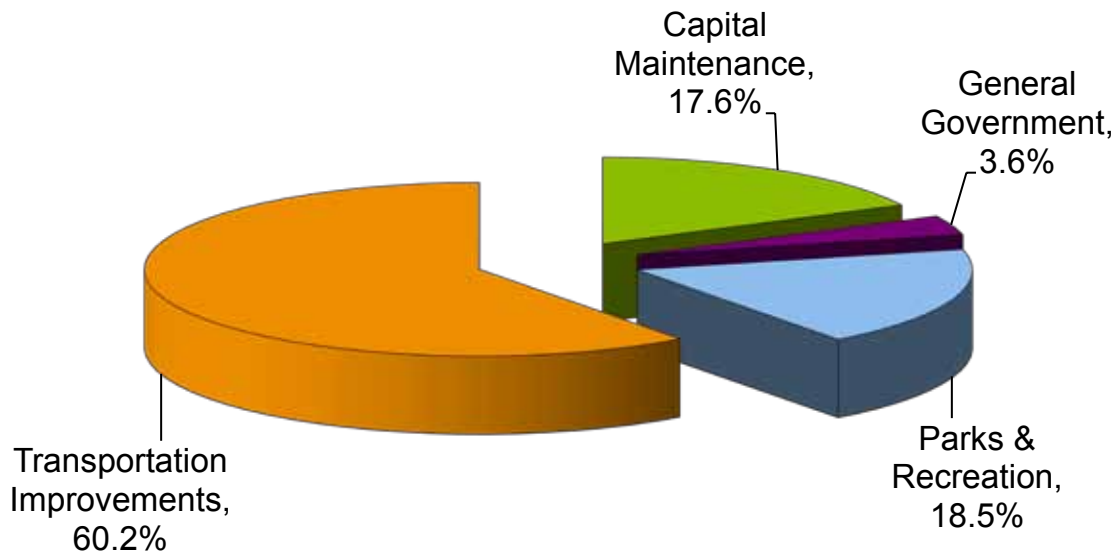
The City of Fremont will continue to face challenges in finding the resources to build and maintain its capital infrastructure at a level that is acceptable to those who live and work in the City. We have adjusted our capital planning to adapt to an unstable economic environment. This plan appropriates money for capital projects and the maintenance of existing infrastructure for five years, and it is reviewed and updated every two years. The process to update this plan biannually provides the City Council with a regular opportunity to consider these challenges, and to consider options for addressing them. Despite the funding limitations associated with this plan, the City will proceed with the significant capital work program outlined here for the benefit of the Fremont community.

Capital Improvement Project Highlights

Within the CIP, projects are categorized by major funding sources and among six programs: Public Safety, Capital Maintenance, Transportation Improvements, Parks and Recreation, Human and Cultural Services, and General Government. The chart below shows that the largest share of the CIP budget, 60.2%, supports Transportation Improvements related infrastructure. The chart has been revised to reflect the dissolution of redevelopment in FY 2011/12 and, therefore, does not match the distribution of funding reflected in the adopted CIP document.

The following section provides an excerpt of key projects within each program category. Information about CIP funds summarized in the operating budget can be found in the Other Funds section of this document. A comprehensive list of projects is available in the adopted CIP for fiscal years 2011/12 through 2015/16.

CIP FY 2011/12 - 2015/16
Distribution of Funding by Program Category
Total: \$235,184,000



Capital Budget Summary | Capital Improvement Project Highlights

Capital Maintenance

1. Title: Cape Sealing

Subprogram: Streets/Infrastructure

Project Description: Apply asphalt emulsions to street surfaces to seal the surface.

Funding Source: State Gas Excise Tax

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$3,750,000

Operational Impact: Cape sealing is a cost-effective street treatment option, generally costing four times less than overlay per square foot. This project is part of the City's ongoing preventive pavement maintenance program with the goals of extending pavement life and decreasing the need to perform more expensive overlays.



Street maintenance project

2. Title: Slurry Sealing

Subprogram: Streets/Infrastructure

Project Description: Seal selected street surfaces with an asphalt/sand mixture.

Funding Source: State Gas Excise Tax 2105, 2106, 2107
ACTIA Measure B Local Streets

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$650,000	\$650,000	\$650,000	\$650,000	\$650,000	\$3,250,000

Operational Impact: Slurry sealing is a cost-effective street treatment option that extends pavement life by preserving the pavement surface, minimizing infiltration of surface water that weakens the base, minimizing loss of surface aggregate, and reducing environmental damage to the pavement.

Capital Budget Summary | Capital Improvement Project Highlights

3. Title: Street Overlays

Subprogram: Streets/Infrastructure

Project Description: Apply asphalt overlay on selected streets throughout the City.

Funding Source: State Gas Excise Tax
ACTIA Measure B Local Streets
County Support Fund for City Streets
Vehicle Registration Fee – Local Streets and Roads
Prop 1B

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$3,450,000	\$3,500,000	\$3,500,000	\$3,450,000	\$3,450,000	\$17,350,000

Operational Impact: Street overlays prevent street failures and decrease the need to perform the more expensive street reconstruction, which can cost three times the amount of the overlay project.



Asphalt patching in residential area

4. Title: Traffic Signal Maintenance, City

Subprogram: Streets/Infrastructure

Project Description: Maintain City's traffic signals and related equipment throughout the City.

Funding Source: State Gas Excise Tax 2106

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$200,000	\$425,000	\$425,000	\$425,000	\$425,000	\$1,900,000

Operational Impact: Maintenance of existing and new traffic signal systems ensures public safety on the roads as well as prevents the need for more expensive repairs in the future caused by deferred maintenance.

Capital Budget Summary | Capital Improvement Project Highlights

5. Title: Public Buildings – Capital Replacements and Major Maintenance Repair

Subprogram: Buildings

Project Description: Annual project to fund major maintenance repair and replacement work on City buildings such as roof restoration or replacements, HVAC systems, floor coverings, boiler replacements, and painting.

Funding Source: Capital Improvement Fund

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$0	\$600,000	\$600,000	\$0	\$0	\$1,200,000

Operational Impact: Routine repair and maintenance has a positive impact by ensuring the safety of personnel and preventing the need for more expensive repairs in the future that would be required if maintenance was deferred.

Traffic Improvements

1. Title: Emilia Lane Sidewalk

Subprogram: Traffic Improvements

Project Description: Construct 1,000 feet of new sidewalk/planter strip on the Emilia Lane frontage to Deep Creek Park and Ardenwood Elementary School.

Funding Source: ACTIA Measure B Bikes/Peds
Vehicle Registration Fee – Bicycle and Pedestrian

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$0	\$82,000	\$128,000	\$185,000	\$0	\$395,000

Operational Impact: Project is part of the 2007 Pedestrian Master Plan. The installation of new sidewalk near elementary school creates a safer environment for students en route to school and is a preventive measure against traffic accidents near elementary schools.

Capital Budget Summary | Capital Improvement Project Highlights

2. Title: Traffic Improvement Program

Subprogram: Intersection Improvements

Project Description: Fund new traffic signals at intersections from the Traffic Signal priority list and signal modifications to update old signal installations, and complete annual pedestrian signal improvements.

Funding Source: Traffic Impact Fee

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$2,750,000

Operational Impact: Improve traffic safety and protect the City from liability. Improve traffic flow and enable City to monitor real-time traffic signal activities.



New Traffic Signals

3. Title: Warm Springs Widening, Corporate Way to South of Brown Road

Subprogram: Street Improvements

Project Description: Widen Warm Springs Boulevard to four lanes, divided from Corporate Way to south of Brown Road. Right-of-way is required on the east side of the street.

Funding Source: Traffic Impact Fee

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$1,500,000	\$500,000	\$3,500,000	\$0	\$0	\$5,500,000

Operational Impact: The completion of this widening project will improve vehicular access to the future Warm Springs BART station. Upon completion, there will be an increase to the City's street inventory; however, the maintenance impacts will be small in relation to the City's overall inventory as well as the lower cost of maintenance of newer inventory.

Capital Budget Summary | Capital Improvement Project Highlights

4. Title: Alder Avenue Improvements

Subprogram: Transportation Improvements

Project Description: Install sidewalk along Alder Avenue and connect to existing sidewalk on Nicolet Avenue.

Funding Source: ACTIA Measure B Bikes/Peds

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$0	\$200,000	\$0	\$0	\$0	\$200,000

Operational Impact: This improvement will provide better access to Los Cerritos Community Park and improve pedestrian safety. Maintenance impacts will be small in relation to the City's overall inventory as well as the lower cost of maintenance of newer inventory.

Capital Budget Summary | Capital Improvement Project Highlights

Parks and Recreation

1. Title: Central Park Softball Fields 1 & 2 Synthetic Turf Conversion

Subprogram: Central Park

Project Description: Convert Softball Fields 1 & 2 to synthetic turf.

Funding Source: Park Facility Impact Fee (after July 1995)

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$0	\$1,200,000	\$741,000	\$0	\$0	\$1,941,000

Operational Impact: The conversion to synthetic turf eliminates the need for water usage, mowing, weed control, fertilization, and other maintenance and repairs. In addition to increasing the durability of the fields, the conversion will increase revenue by increasing the fields' usage time.

2. Title: Central Park Turf and Poplars

Subprogram: Central Park

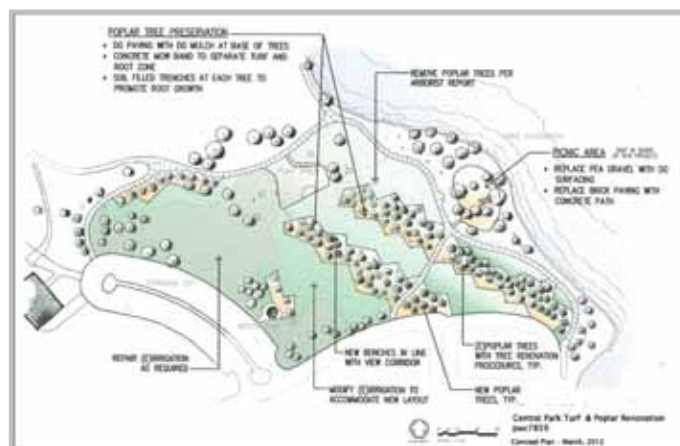
Project Description: Renovate poplars, irrigation, and provide decomposed granite (DG) mulch under poplars.

Funding Source: Measure WW

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$0	\$722,000	\$0	\$0	\$0	\$722,000

Operational Impact: The project will improve the aesthetics of the park, lowering water cost and maintenance costs.



Central Park Turf and Poplars

Capital Budget Summary | Capital Improvement Project Highlights

3. Title: Drinking Fountain Replacement and Connections

Subprogram: Parks & Recreation

Project Description: Provide 45 drinking fountains with sanitary sewer connection.

Funding Source: Park Dedication Fees – (renovation)

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$0	\$200,000	\$0	\$0	\$0	\$200,000

Operational Impact: Improvements will bring drinking fountains into compliance with current building codes. Maintenance impacts will be small in relation to the City's overall inventory as well as the lower cost of maintenance of newer inventory.

4. Title: Karl Nordvik Expansion – Phase 2 Expansion Design

Subprogram: Other Parks

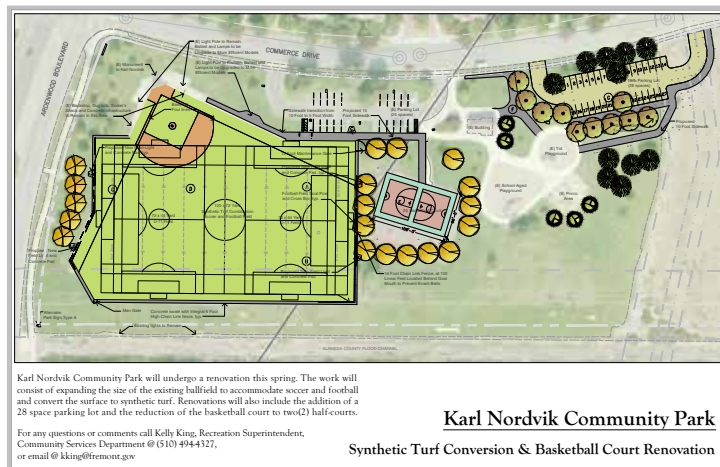
Project Description: Develop the master plan to expand the undeveloped four acres of the park. Design shall include a parking lot and two synthetic turf sports fields for soccer with a cricket field overlay.

Funding Source: Park Facility Impact Fee (after July 1995)

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$0	\$100,000	\$0	\$0	\$0	\$100,000

Operational Impact: This project will accommodate the increased need for sports fields, generate revenue, and create a maintenance neutral facility.



Karl Nordvik Expansion Design

Capital Budget Summary | Capital Improvement Project Highlights

General Government

1. Title: Downtown Project

Subprogram: General Government

Project Description: Implement the CBD Concept Plan (formerly referred to as “Downtown Plan”) through completion of a Downtown Community Plan and design guidelines.

Funding Source: Capital Improvement Fund

Project Cost:

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Five year total
\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000

Operational Impact: This project envisions creating a lively, pedestrian-oriented downtown, which will contribute to the City’s economic growth. This development will likely enhance sales tax revenue; however, City service demands will also likely increase based on the new development.



Downtown project

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Department Budgets

City Council

Vision:

Fremont will be a globally connected economic center with community pride, strong neighborhoods, engaged citizens from all cultures, and a superb quality of life.

Long-term Outcomes for the City of Fremont

1. Dynamic local economy: A diverse, strong, and adaptable economy where businesses can be successful in the global economy and where residents and visitors can enjoy high-quality commercial amenities.
2. An engaged and connected multicultural community: Strong relationships among people of all cultures and backgrounds to foster democratic community leadership and commitment to a flourishing Fremont.
3. Thriving neighborhoods: Safe and distinctive commercial and residential areas where people know each other, are engaged in their community, and take pride in their neighborhoods. Make Fremont a great place to raise children.
4. Live and work in Fremont: A range of housing to match the variety of jobs in Fremont enabling people to live and work locally throughout their lives.
5. Interesting places and things to do: Places of interest throughout the community where people want to gather, socialize, recreate, shop, and dine.
6. Effective transportation systems: A variety of transportation networks that make travel easy throughout Fremont.



Department Budgets | City Council

City Council Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 126,469	\$ 122,776	\$ 123,562	\$ 123,562	\$ 123,562	\$ 124,415
Operating Expenditures	103,451	164,193	172,771	184,534	172,066	172,066
Capital Expenditures	-	-	-	-	-	-
Indirect Expense Allocation**	-	-	-	-	-	-
Totals	\$ 229,920	\$ 286,969	\$ 296,333	\$ 308,096	\$ 295,628	\$ 296,481

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget 0.3%

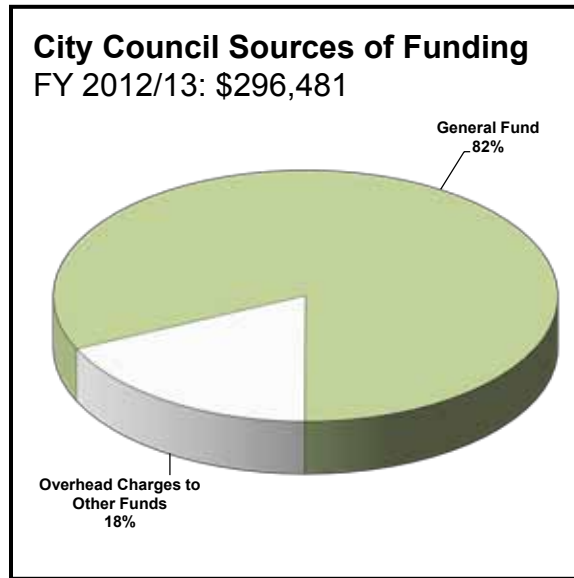
* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Key City Priorities

1. Complete a Community Plan for the South Fremont/Warm Springs area incorporating findings and strategies from the recently completed Economic Development Administration studies.
2. BART to San Jose: Continue to partner with BART to ensure that Fremont's interests are considered relative to the BART extensions to Warm Springs and Santa Clara County.
3. Economic Development: The Economic Development Department works with the business community, real estate brokers, developers, and property owners to attract and retain an appropriate mix of retail, office, and industrial or technology uses, in order to foster a dynamic economy and a stronger tax base.
4. Downtown/Capitol Avenue: Develop Community and Design Guidelines for a "Main Street" style pedestrian-oriented mixed-use development focused in the area bounded by Fremont Boulevard, Mowry Avenue, Paseo Padre Parkway, and Walnut Avenue.





Major Changes

- The FY 2012/13 City Council proposed budget is \$853 (or 0.3%) more than the FY 2011/12 adopted budget.
- Salaries and benefits are increasing by 0.7% due to minor changes in choices of health benefits selected by Councilmembers from year to year.

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Community Development

Mission:

The Fremont Community Development Department will be regionally recognized as a model department that both the City and staff can be proud of. Furthermore, the role of the department is to move the community toward the sustainable, strategically urban community envisioned in the General Plan through long-range planning, community preservation activities, and project-by-project actions.

Major Services

Planning

Review proposed development projects, assist the City with planning for future development, and ensure development conforms with the City's adopted policies and ordinances.

Building and Safety

Conduct construction inspections, review construction plans, and issue building permits.

Community Preservation

Respond to citizen complaints and proactively seek out violations of the Fremont Municipal Code to preserve community health and safety.

Department Overview



The Community Development Department provides community planning and development review; community preservation; building permit issuance; and construction inspection. Together with the community, the department works to implement the goals of the City as referenced through the General Plan and City Council direction. The department further assists the community in meeting all development requirements. The department's activities reflect the community's desire to preserve its open space and hillsides, to maintain the community's historic centers and character, and to build high-quality residential and commercial development in targeted areas throughout the City. In keeping with the Sustainability Policy adopted by the City Council in 2006, the department continually seeks opportunities to encourage sustainable development and "green building" construction measures.

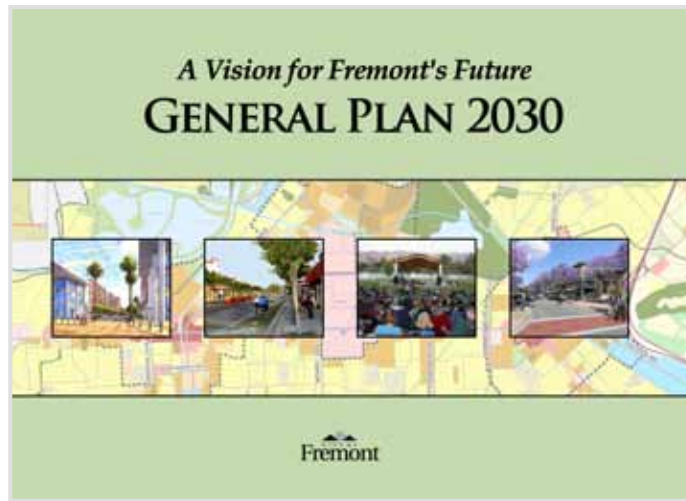
Department Budgets | Community Development

Community Development Historical Expenditures/Budget, by Major Service Area

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2011/12 Proposed Budget
Planning	\$ 3,785,064	\$ 3,397,152	\$ 3,516,832	\$ 4,414,195	\$ 4,176,208	\$ 4,435,009
Building and Safety	4,690,699	4,916,190	4,924,232	5,677,558	6,198,484	5,479,244
Community Preservation	734,100	663,292	700,418	772,422	800,941	752,293
Housing Successor Agency	-	-	90,848	-	-	278,750
Total Community Development	\$ 9,209,863	\$ 8,976,634	\$ 9,232,330	\$ 10,864,175	\$ 11,175,633	\$ 10,945,296

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

Accomplishment Highlights FY 2011/12



- Adopted the updated General Plan which lays out the community's vision for future development; and certified the accompanying Environmental Impact Report.
- Obtained grants from the Metropolitan Transportation Commission for BART station-area planning efforts in South Fremont/Warm Springs and in the City Center.
- Coordinated several projects using federal stimulus funds for energy efficiency, including installation of LED streetlights on Stevenson Boulevard and installation of energy efficient boilers at the Fremont Main Library and the Police Station.
- Began implementation of the City's new Green Building Ordinance for residential construction.

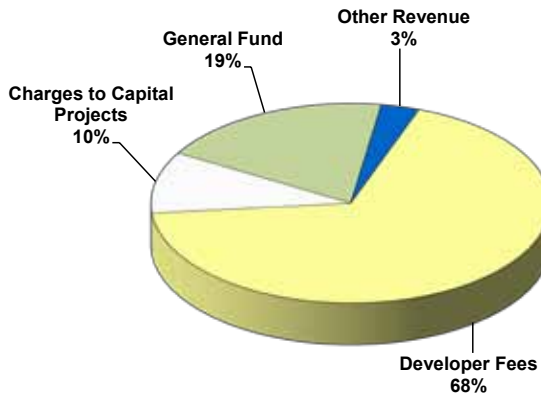
Objectives FY 2012/13

1. In partnership with the Information Technology Services Department, replace the current permitting software system with a robust land use/permitting system by the beginning of FY 2013/14 to better manage information and workflow.
2. Continue to update the Zoning Code to be consistent with the new General Plan; draft changes to commercial and industrial land uses and Transit Oriented Development by June 2013.
3. Adopt updates and local amendments to the Building Code by January 1, 2013 to ensure the City's standards reflect the latest safety and environmental best practices.
4. Adopt and implement a revised sign ordinance by January 2013 in an effort to reduce urban clutter and to improve traffic safety.
5. Begin implementation of a Climate Action Plan, laying out specific steps for meeting the City's greenhouse gas emission reduction target.
6. Adopt the Downtown District Community Plan and Design guidelines.

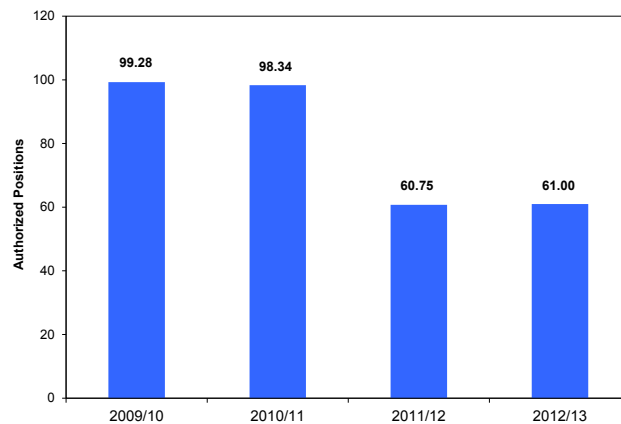
Department Budgets | Community Development

Community Development Sources of Funding

FY 2012/13: \$10,945,296



Community Development Historical Authorized Staffing



Community Development Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 6,898,351	\$ 6,721,814	\$ 6,924,212	\$ 8,301,716	\$ 8,613,174	\$ 8,316,851
Operating Expenditures	342,522	411,921	423,439	488,604	488,604	610,441
Capital Expenditures	444	6,349	19,963	11,700	11,700	11,300
Indirect Expense Allocation**	1,968,546	1,836,550	1,864,716	2,062,155	2,062,155	2,006,704
Totals	\$ 9,209,863	\$ 8,976,634	\$ 9,232,330	\$ 10,864,175	\$ 11,175,633	\$ 10,945,296

% increase/(decrease), including all funds, from FY 2010/11 Adopted Budget

-2.1%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 Community Development Department proposed budget is \$230,337 (or 2.1%) less than the FY 2011/12 adopted budget.
- Salaries and benefits are decreasing by 3.4%. This is the result of labor negotiations completed in FY 2011/12, which means that all department staff members are now either paying a portion of the employer's share of the CalPERS retirement costs, or have taken a salary reduction. This decrease has been partially offset due to transferring portions of the Community Development Director and Deputy Director of Community Development's salaries back to the Community Development Department, due to the dissolution of Redevelopment.
- Operating expenditures are increasing by 24.9%, due to adding the new Housing Successor Agency budget to the department.

Staffing by Function FY 2012/13

Community Development			
Building & Safety		Planning	
Community Development Director	0.60	Community Development Director	0.40
Deputy Director Community Development	0.60	Deputy Director Community Development	0.40
Building Official	1.00	Planning Manager	1.00
Plan Check and Permit Center Manager	1.00	Senior Planner	3.00
Plan Check Engineer	5.00	Information Systems Appl Specialist III	1.00
Supervising Building Inspector	1.00	Associate Landscape Architect	1.00
Development Services Supervisor	2.00	Associate Planner	8.00
Fire & Life Safety Plans Examiner	1.00	Management Analyst II	0.50
Building Inspector Specialist	4.00	Planner II	1.00
Management Analyst II	0.50	Senior Executive Assistant	0.50
Building Inspector	8.00	Executive Assistant	1.00
Senior Executive Assistant	0.50	Zoning Technician	3.00
Senior Development Services Technician	2.00	Senior Office Specialist	0.40
Development Services Technician II	3.00	Accounting Specialist II	1.00
Senior Office Specialist	1.60		
Office Specialist II	1.00		
Community Preservation			
Community Preservation Manager	1.00		
Code Enforcement Officer II	5.00		

Regular Full-Time Equivalents: 61.00

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Community Services

Mission:

To enhance the community and ensure the citizens of Fremont receive excellent customer service through its management of recreation facilities, the provision of quality recreation and environmental programs, park planning, and maintenance of City parks, trees, and medians.

Major Services

Recreation

Offer leisure activities, provide park visitors' services, and manage recreation facilities and historic sites.

Park, Medians, and Urban Landscape

Provide park facilities and services to Fremont residents. Plan, organize, and coordinate maintenance of the City's park land and medians.

Environmental Services

Administer garbage, recycling, and stormwater programs for Fremont residents and businesses.

Landscape Architecture

Manage park development, street median landscape, and public plaza projects. Issue tree removal permits and review development projects.

Department Overview

The Community Services Department provides leisure activities, parks and community facilities, parks and street median maintenance, community landscape architecture, and environmental services. The Parks and Recreation Divisions manage public use of recreation facilities, and plan, maintain, and oversee the City's park system. Along with Landscape Architecture, the department carries out capital and park planning and development projects, and implements the Parks and Recreation Master Plan. The recreation activities, carried out primarily through the Recreation Enterprise Division, include performing and visual arts, academic enrichment, sports, teen and early childhood development programs, park visitors' services, as well as management of the community centers, special facilities and historic sites. Staff provides support to the Recreation Commission and other boards and commissions that advise the City Council. The Environmental Services Division is responsible for environmentally sound and cost-effective methods for the disposal of garbage and household hazardous waste, recovery of recyclables, waste prevention, and flow of clean storm water into streams and the San Francisco Bay. Together, these divisions strive to enhance the quality of life for the residents of Fremont and its visitors.

Department Budgets | Community Services

Community Services Historical Expenditures/Budget, by Major Service Area

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Recreation	\$ 7,543,896	\$ 7,566,107	\$ 7,686,993	\$ 7,906,660	\$ 8,035,468	\$ 7,904,058
Parks, Medians, & Urban Landscape	5,947,989	6,248,943	6,530,242	6,596,048	6,540,778	6,525,328
Environmental Services**	7,393,039	6,906,149	6,886,302	7,036,135	7,044,416	7,369,069
Landscape Architecture***	n/a	n/a	917,168	917,168	944,836	1,005,666
Total Community Services	\$ 20,884,924	\$ 20,721,199	\$ 22,020,705	\$ 22,456,011	\$ 22,565,498	\$ 22,804,121

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

**Previously budgeted in the Public Works Department.

***Previously budgeted in the Engineering Division of the Community Development Department.

Accomplishment Highlights FY 2011/12



- Removed and replaced approximately 4,000 square feet of damaged concrete and asphalt sidewalks at Central Park, Cabrillo Trail Park, and Shinn Park.
- Completed the final phase of the City's multi-year playground safety improvement program by upgrading seven City play areas and three Tiny Tot play areas. The sand or fibar surfaces of these playgrounds were replaced with poured-in-place recycled rubber, which is projected to reduce the collective number of hours necessary to maintain these seven playgrounds by 730 annually.
- Completed design and conversion of the Centerville Park Softball Field to all-weather turf, reducing maintenance costs and quadrupling field availability.
- Updated the City Landmark Tree Book and inventory to provide accurate information and access to the public via the web on some of the City's unique arboricultural assets.
- Completed construction of the Sabercat Creek Public Access and Riparian Habitat Improvement project to improve public access and enjoyment of this park, restore the creek and surrounding riparian habitat and improve water quality.
- Completed mapping and inventory of Phase I to outsource Landscape Maintenance to the private sector.

Objectives FY 2012/13

1. Complete Phase II of the landscape and park maintenance outsourcing plan. Phase II includes completing an asset inventory for the park system and releasing a Request For Proposals (RFP) for park maintenance to implement conversion in July 2013.
2. Convert irrigation controllers to weather-based controllers at all remaining Community Parks and Neighborhood Parks, which will reduce watering, maintenance, and repair costs and decrease overall management needs of the citywide system.
3. Evaluate street sweeping and storm drain vactoring programs to identify changes that could improve the effectiveness of the program as well as improve water quality.
4. Implement a plastic bag ban, effective January 2013, which will reduce the environmental impacts of single use plastic bags.
5. Upgrade one and establish two new group picnic facilities in Central Park to meet demand and increase rental revenues.
6. Conduct a feasibility study and determine next steps for an indoor sports facility concept that could include soccer, lacrosse, football, and other indoor sports.
7. Complete design and construction of a one-acre Skate Park facility, which will satisfy a community need that has gone unmet since the 2009 closure of the Temporary Skate Park. The skate park will be family oriented and will accommodate all ages and skating abilities.

Performance Measurement

<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i><u>Recreation Programs & Services</u></i>		
Increase registrants by 2% from previous year	FY 11/12 + 2%	TBD
<i><u>Environmental Programs—Integrated Waste Management</u></i>		
Increase waste diversion rate (current 74%)	75%	TBD
<i><u>Environmental Programs—Urban Runoff</u></i>		
Increase number of creek clean-up participants	550	TBD
Increase volume of waste material collected during creek clean-up	7,800 lbs.	TBD

Department Budgets | Community Services

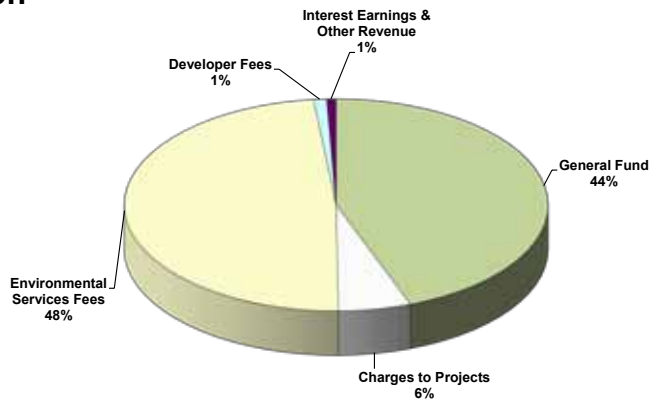
Community Services Sources of Funding

FY 2012/13: \$22,804,121

Recreation Division
\$7,904,058

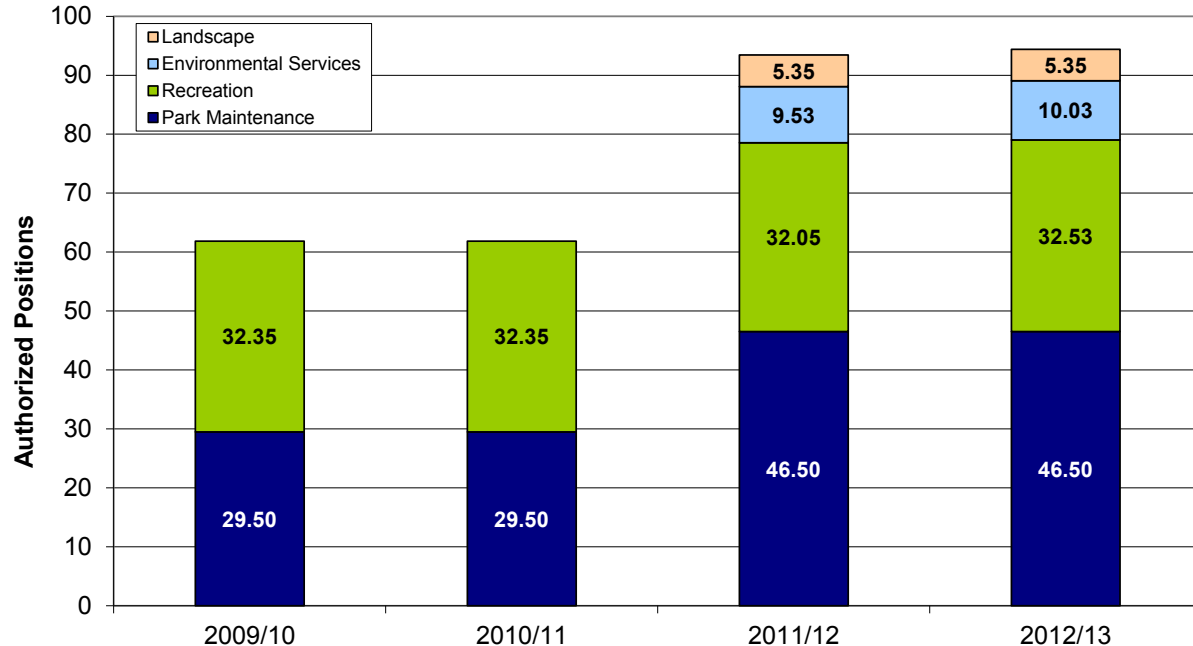


***Other Divisions**
\$14,900,063



*Other Divisions include: Environmental Services, Landscape Architecture, Parks Maintenance, Median Maintenance, and Urban Landscape.

Community Services Historical Authorized Staffing



Note: Environmental Services, Median Maintenance, and Urban Landscape were previously budgeted in the Public Works Department. Landscape Architecture was previously budgeted in the Engineering Division of the Community Development Department.

Department Budgets | Community Services

Community Services Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 9,334,899	\$ 9,463,305	\$ 10,221,943	\$ 10,645,002	\$ 10,983,872	\$ 10,891,073
Operating Expenditures	8,622,108	8,496,209	8,748,025	8,733,196	8,512,465	8,777,071
Capital Expenditures	62,878	88,170	152,110	117,649	108,997	113,998
Indirect Expense Allocation**	2,865,039	2,673,515	2,898,627	2,960,164	2,960,164	3,021,979
Totals	\$ 20,884,924	\$ 20,721,199	\$ 22,020,705	\$ 22,456,011	\$ 22,565,498	\$ 22,804,121

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget 1.1%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 Community Services proposed budget is \$238,623 (or 1.1%) more than the FY 2011/12 adopted budget.
- Salaries and benefits are decreasing by 0.8%. This is the result of labor negotiations completed in FY 2011/12, which means that all staff members are now paying a portion of the employer's share of the CalPERS retirement costs. The decrease is partially offset by an increase in staffing of 0.48 FTE due to increases in the working hours for Tiny Tot Instructors, the transfer of 0.5 FTE Environmental Specialist II position from Community Development back to Environmental Services, as well as an increase in temporary staffing in the Landscape Architecture division.
- Capital expenditures are increasing by 4.6% in order to purchase field equipment needed to provide Recreation programs.

Department Budgets | Community Services

Staffing by Function FY 2012/13

Community Services			
Community Services Director		1.00	
Executive Assistant		1.00	
Park Maintenance			
Park Superintendent	1.00		
Recreation Superintendent II	0.10		
<u>Central Park</u>			
Park Field Supervisor	1.00		
Park Maintenance Worker II	2.00		
Park Maintenance Worker I	5.00		
<u>North End Parks</u>			
Park Field Supervisor	1.00		
Park Maintenance Worker II	2.00		
Park Maintenance Worker I	3.00		
<u>South End Parks</u>			
Park Field Supervisor	1.00		
Park Maintenance Worker II	3.00		
Park Maintenance Worker I	4.00		
<u>Construction/Irrigation</u>			
Park Field Supervisor	1.00		
<u>Construction</u>			
Park Maintenance Worker II	1.00		
Park Maintenance Worker I	2.00		
<u>Irrigation</u>			
Park Maintenance Worker II	1.00		
Park Maintenance Worker I	1.00		
Urban Landscape			
<u>Tree Crews</u>			
Urban Landcape Manager	0.40		
Park Field Supervisor	1.00		
Park Maintenance Worker II	2.00		
Park Maintenance Worker I	2.00		
<u>Median Crews</u>			
Urban Landscape Manager	0.60		
Park Field Supervisor	2.00		
Park Maintenance Worker II	3.00		
Park Maintenance Worker I	6.00		
Recreation			
<u>Administrative & Support Services</u>			
Recreation Superintendent II	2.80		
Management Analyst II	1.00		
Accounting Specialist II	0.50		
Office Specialist II	3.00		
Recreation Facility & Supply Worker	1.00		
Recreation Supervisor I	1.00		
<u>Park Visitor Services</u>			
Recreation Supervisor II	1.00		
Park Ranger	4.75		
Office Specialist II	1.00		
<u>Recreation Services</u>			
Water Park Operations Manager	1.00		
Water Park Revenue & Sales Mgr	1.00		
Recreation Supervisor II	5.00		
Recreation Supervisor I	4.00		
Tennis Operations Supervisor	1.00		
Tiny Tot Specialist	3.08		
Program Staff - approx. 325*			
Landscape Architecture			
Senior Landscape Architect	1.00		
Assoc. Landscape Architect	2.00		
Landscape Architect/Designer II	2.00		
Office Specialist II	0.35		
Environmental Services			
City Attorney	0.08		
Environmental Services Manager	0.90		
Solid Waste Administrator	1.00		
Recreation Superintendent II	0.10		
Environmental Specialist II	3.75		
Environmental Specialist I	3.00		
Office Specialist II	1.00		

*Temporary positions not counted in full-time equivalents.

Regular Full-Time Equivalents: 94.41

Economic Development

Mission:

To improve the community's economic base and quality of life by helping to create a dynamic local economy, with vibrant shopping/dining areas, and a diverse mix of industrial and technology uses.

Major Services

Business Development

Promote the expansion of existing business and attract new businesses to increase employment opportunities, enhance revenue, promote local opportunities, and create community gathering places.

Marketing

Create and implement an overall marketing strategy for the City as a quality place in which to do business, and proactively communicate with the business community to promote Fremont as a location of choice.

Analysis

Monitor key economic indicators and conduct specific analyses, including market demand, retail profile, demographics, land use, and target industry clusters to increase economic growth for the City's commercial and industrial areas.

Strategic Partnerships

Build relationships, leverage existing resources, and make strategic connections between the public and private sector to ensure that significant knowledge and resource transfer is taking place and can benefit Fremont's business community.

Advance Key Economic Development Initiatives

Leverage significant planning efforts to facilitate awareness and development momentum to strengthen the City's economic future.

Department Overview

The Office of Economic Development proactively works with the business community, real estate brokers, developers, and property owners to create a supportive environment for desired retail, office, and technology/industrial development. Much of the work to accomplish this is done through



relationship building, leveraging existing resources, and making strategic connections between the public and private sector. Specific activities include conducting corporate site visits; trade show/industry event participation; implementing a progressive, multimedia marketing strategy; assistance with site selection, marketing, and permitting; and staffing the City's Economic Development Advisory Commission (EDAC). Furthermore, it serves as a liaison between property owners, developers, and City staff to ensure that development moves forward in a timely manner. The Office also works with regional

development organizations to strengthen Fremont's position at the local, regional, and national level, supporting the City Council's leadership position in economic development efforts.

Accomplishment Highlights FY 2011/12

- Oversaw completion of U.S. Economic Development Administration-funded studies related to the repositioning and revitalization of the South Fremont/Warm Springs District (former NUMMI site), and coordinated completion of an economic overlay for these studies to clearly define economic potential of the district.
- Proactively engaged Union Pacific Railroad regarding its acquisition of property surrounding the Tesla Factory, advocating for development consistent with the City's economic development goals and encouraged a team approach in positioning the area for future investment.
- Completed a Preliminary Financing Plan for the Downtown Community Plan and Design Guidelines, analyzing the financing mechanisms required to encourage development of a transit and pedestrian-oriented district bounded by Mowry Avenue, Fremont Boulevard, Walnut Avenue, and Paseo Padre Parkway in Downtown Fremont.
- Reauthorized the clean technology business tax exemption and developed a new biotechnology business tax exemption as part of a comprehensive business attraction and retention strategy.
- Developed a new social media campaign, along with a new suite of marketing collateral and updated branding, in updated formats intended for more electronic distribution and reduced printing costs.

Service Delivery Changes FY 2012/13

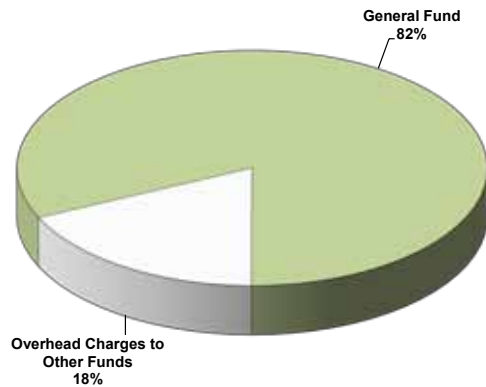
- Further leverage social media and other electronic mediums for marketing purposes to reduce printing costs and reach a wider audience. Specific examples include videos, electronic brochures, updated web content, and a new “Visitor and Dining Guide” mobile application (“app”).

Objectives FY 2012/13

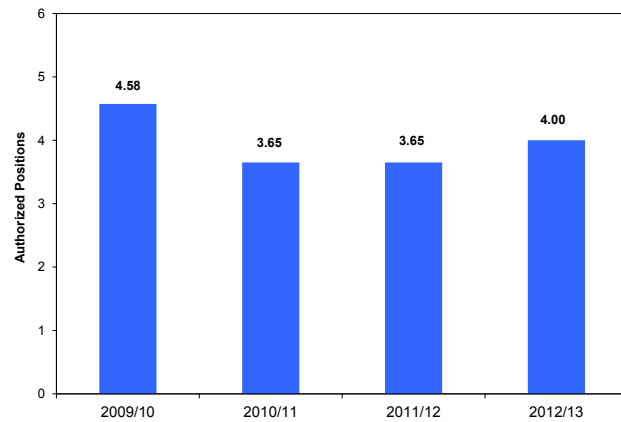
1. Leverage South Fremont/Warm Springs planning efforts by proactively marketing the district to a wide range of stakeholders; coordinating closely with key property owners, including Union Pacific Railroad, Tesla Motors, and others; pursuing funding opportunities for infrastructure needs; and engaging with business and real estate communities to target users for former Solyndra building assets.
2. Facilitate Downtown development by engaging a master developer for Downtown and negotiating terms of a Development and Implementation Agreement for mixed-use projects on targeted site(s) along Capitol Avenue; pursuing funding opportunities recommended in the “Midtown Preliminary Financing Plan”, and engaging property owners in the district.
3. Expand marketing efforts with the design of a new visitor and dining guide, and companion mobile application (“app”) by the end of FY 2012/13 to promote Fremont shopping/dining opportunities.
4. Collaborate with the Fremont Chamber of Commerce to survey the small business community about the most effective ways to provide support for marketing and education efforts.
5. Attract and retain emerging technology businesses and reduce industrial vacancy rate with assistance of the re-authorized clean technology business tax exemption, new biotechnology/medical device business tax exemption, and robust business visitation program to identify areas for collaboration.

Department Budgets | Economic Development

Economic Development Sources of Funding FY 2012/13: \$899,725



Economic Development Historical Authorized Staffing



Economic Development Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 621,694	\$ 499,765	\$ 565,999	\$ 581,523	\$ 579,536	\$ 638,708
Operating Expenditures	164,452	150,189	177,854	197,806	182,018	182,686
Capital Expenditures	-	-	541	541	541	541
Indirect Expense Allocation**	136,047	85,028	78,654	78,654	78,654	77,790
Totals	\$ 922,193	\$ 734,982	\$ 823,048	\$ 858,524	\$ 840,749	\$ 899,725

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget 7.0%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 Economic Development proposed budget is \$58,976 (or 7.0%) more than the FY 2011/12 adopted budget. The authorized staffing level has increased by 0.35 FTE due to the dissolution of Redevelopment, which required returning portions of the Economic Development Director and Economic Development Manager's salary back to the General Fund.
- Salaries and benefits are increasing by 10.2%, as a result of the 0.35 FTE positions being returned to the General Fund due to the dissolution of Redevelopment. This increase is partially offset by the result of labor negotiations completed in FY 2011/12, which means that all department staff members are now paying a portion of the employer's share of the CalPERS retirement costs.

Staffing by Function FY 2012/13

Economic Development	
Economic Development Director	1.00
Economic Development Manager	1.00
Economic Development Coordinator	1.00
Executive Assistant	1.00

Regular Full-Time Equivalents: 4.00

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Fire

Mission:

To prevent and minimize the loss of life and property threatened by the hazards of fire, medical and rescue emergencies, hazardous materials incidents, and disaster situations within the community.

Major Services

Emergency Response

Provide rapid delivery of emergency services by maintaining rapid response times, to increase the likelihood of preserving life and property.

Emergency Services

Provide an innovative paramedic program, Special Operations Task Force, Urban Search and Rescue services, and enhanced emergency response as part of the Metropolitan Medical Response System.

Fire Prevention and Hazardous Materials Management

Provide fire and life safety code inspection and hazardous materials management services to the community.

Disaster Preparation

Provide ongoing preparedness training to City staff and Fremont residents to respond to human-caused and natural disaster events.

Training

Develop and train a well-qualified and professional workforce to maintain proficiency in high-risk, low frequency operations.

Department Overview

The Fire Department is responsible for providing the rapid delivery of fire, medical, rescue and life safety emergency services within Fremont. Emergency services are delivered through 12 in-service fire companies from 11 (one is currently closed) strategically located fire stations in the City with the primary goals of reducing casualties and the loss of life, improving patient outcomes, reducing property loss and damage, effecting successful extrications of trapped victims, and protecting the environment from the effects of hazardous materials release. In calendar year 2011, the Fire Department responded to 13,007 calls for service, generating 15,577 engine and truck company runs.

Department Budgets | Fire

Fire Historical Expenditures/Budget, by Major Service Area

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Operations/Emergency Medical Service	\$ 25,296,972	\$ 25,511,798	\$ 26,341,461	\$ 25,765,095	\$ 26,818,794	\$ 25,848,105
Administration	4,465,410	4,727,715	4,686,283	5,221,166	5,043,051	4,966,875
Prevention	1,256,700	1,280,066	1,343,903	1,385,386	1,414,562	1,369,821
Disaster Preparedness	670,745	808,368	878,039	878,039	712,251	460,487
Total Fire	\$ 31,689,827	\$ 32,327,947	\$ 33,249,686	\$ 33,249,686	\$ 33,988,658	\$ 32,645,288

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

Accomplishment Highlights FY 2011/12

- Finalized the bid and purchase of the final phase (Phase IV) of the Fire Department Apparatus Replacement Program, including a 2,500 gallon water tender, an air/light unit, and a Type IV wildland 4x4 engine. Delivery is slated for late fall 2012.
- Replaced all frontline structural firefighter safety clothing that had exceeded its useful life for all fire suppression personnel using grant funding of \$177,905 received from the Department of Homeland Security.
- Completed a strategic analysis of the Metropolitan Medical Response System (MMRS) grant program and began implementation of a plan to best meet community needs using existing resources.
- Completed implementation of the final Measure “R” Fire Bond projects, including the renovation of Fire Station No. 3 (Irvington); and demolition of the abandoned Fire Training Tower located at Fire Station No. 7 (Grimmer and Auto Mall).
- Received the “Outstanding Certified Unified Program Agency (CUPA) of the Year” award from the California Environmental Protection Agency for the Department’s role in the successful decommissioning of the former NUMMI site.



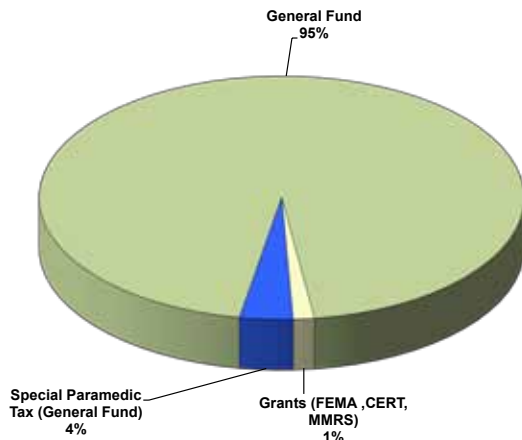
Objectives FY 2012/13

1. Complete the fourth and final phase of the Apparatus Replacement Plan by constructing, outfitting and placing three rigs in service: one Type IV wildland engine, one air/light unit and one 2,500 gallon water tender.
2. In partnership with Fremont Police Department, continue evaluating possible consolidation of dispatch services for Police and Fire.
3. In partnership with Alameda County and in accordance with the Alameda County First Responders Advanced Life Support (FRALS) agreement, develop a new quality improvement program by the third quarter of FY 2012/13, in order to improve patient care and outcomes.
4. Conduct a Battalion Chief Career Development Program in conjunction with the department's Succession Training Plan to prepare staff for future leadership roles.
5. Work with associated agencies and developers to clean-up contaminated sites within the former City Redevelopment Project Areas (e.g., Centerville Unified Site, Henkel Property) and return the sites to productive land uses.

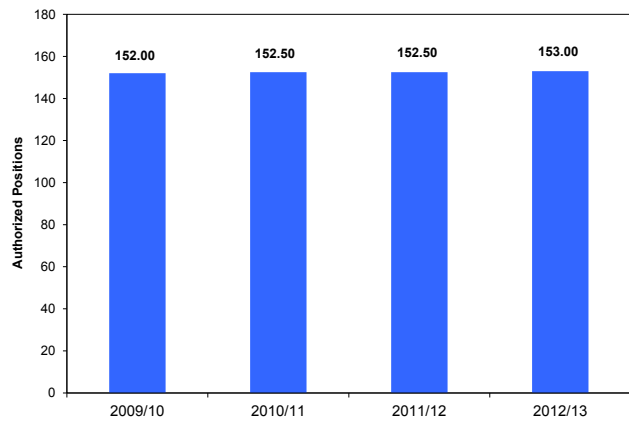
Performance Measurement

<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i><u>Emergency Response</u></i>		
• Percent of time first unit arrives at emergency scene six minutes, forty seconds (6:40) from 911 call	• 90%	• TBD
• Percent of time all units arrive at fire scene eleven minutes, twenty seconds (11:20) from 911 call	• 90%	• TBD
<i><u>Training</u></i>		
• Provide sufficient amount and quality training to maintain operational readiness	• Train 20 hours per person per month	• TBD
• Provide sufficient amount and quality training to maintain required licenses and certifications	• Required licenses and certifications 100% compliant	• TBD
<i><u>Fire Prevention</u></i>		
• Percent of inspections State Fire Marshal (SFM) regulated occupancies	• Complete 50% of SFM regulated occupancies inspected in a given year	• TBD
• Percent of inspections of permitted Hazardous Materials (Haz Mat) facilities	• Complete 33% of Haz Mat Facility and 100% of Underground Storage Tank (UST) inspections in a given year	• TBD

Fire Sources of Funding FY 2012/13: \$32,645,288



Fire Historical Authorized Staffing



Fire Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 27,405,938	\$ 27,410,730	\$ 28,027,904	\$ 27,646,550	\$ 28,684,694	\$ 27,928,720
Operating Expenditures	1,543,336	1,646,153	1,954,140	2,313,406	2,145,499	1,638,853
Capital Expenditures	124,780	341,547	314,790	336,878	205,613	241,645
Indirect Expense Allocation**	2,615,773	2,929,517	2,952,852	2,952,852	2,952,852	2,836,070
Totals	\$ 31,689,827	\$ 32,327,947	\$ 33,249,686	\$ 33,249,686	\$ 33,988,658	\$ 32,645,288

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget -4.0%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 Fire Department proposed budget is \$1,343,370 (or 4.0%) less than the FY 2011/12 adopted budget.
- Salaries and benefits are decreasing by 2.6%. This is the result of labor negotiations completed in FY 2011/12, which means that all staff members are now paying a portion of the employer's share of the CalPERS retirement costs. Staffing has increased by 0.5 FTE as result of increasing a Senior Office Specialist position from half-time to full-time.

Department Budgets | Fire

- Operating expenditures are decreasing by 23.6%, due to decreases in expenditures for Metropolitan Medical Response System (MMRS) grant related purchases of supplies.
- Capital expenditures are increasing by 17.5%, due to increases in equipment purchases using MMRS grant funds.
- The indirect expense allocation is decreasing by 4.0%, which is primarily the result of decreases in the department's vehicle replacement allocation.

Staffing by Function FY 2011/12

Fire			
Fire Chief's Office			
Fire Chief		1.00	
Emergency Services Coordinator		1.00	
Operations		Fire Prevention	
Deputy Fire Chief	1.00	Fire Marshal	1.00
Battalion Chief	6.00	Deputy Fire Marshal	1.00
Fire Captain	42.00	Haz Mat Technician	3.00
Fire Engineer	40.00	Senior Code Enforcement Officer	1.00
Firefighter	42.00	Code Enforcement Officer	2.00
Emergency Medical Services/Training		Administration/Personnel	
Deputy Fire Chief	1.00	Business Manager	1.00
Fire Captain	2.00	Senior Executive Assistant	1.00
Clinical Nurse Educator	1.00	Senior Accounting Specialist	1.00
		Senior Office Specialist	3.00
		Office Specialist II	1.00
		Office Specialist I	1.00

Regular Full-Time Equivalents: 153.00

Human Services

Mission:

To support a vibrant community through services that empower individuals, strengthen families, encourage self-sufficiency, enhance neighborhoods, and foster a high quality of life.

Major Services

Youth and Family Services

Promote healthy children by providing family-focused mental health services that improve social-emotional well-being, strengthen family relationships, reduce delinquency, and increase school achievement.

Family Resource Center

Co-locate 27 State, County, City and non-profit agencies to create a "one-stop," welcoming place where families are provided quality services and encouraged to build on their strengths to help themselves and others.

Aging and Family Services

Promote an aging-friendly community by providing a continuum of services to help elders remain independent, safe, and in their own homes.

Mobility and Transportation Services

Provide mobility and transportation options for seniors and persons with disabilities that improve access to community services and activities, decrease social isolation, and promote independent living.

City and Federal Grant Administration

Administer the City's social service and various federal grant funds, which help sustain the vitality of the City's social service safety net infrastructure.

Department Overview

The Human Services Department delivers and supports services by forging long-term community partnerships; engaging with and building the capacity of the community to do its own problem solving; and leveraging financial and volunteer resources. Its nationally and internationally recognized services support thousands of residents throughout their life course from infants to elders. Its youth services stimulate healthy development and lifestyle choices. Services for families help

Department Budgets | Human Services

them navigate crisis situations and become economically successful. Services for older adults and their families help them maintain independence and involvement in the community.

Human Services
Historical Expenditures/Budget, by Major Service Area

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Family Resource Center	\$ 1,983,851	\$ 2,804,996	\$ 2,312,544	\$ 2,846,985	\$ 2,518,794	\$ 2,607,072
Youth and Family Services	1,964,418	1,926,015	2,139,666	2,132,065	2,189,095	2,308,360
Aging and Family Services	2,978,147	2,693,741	2,581,848	3,041,820	3,130,725	2,826,642
CDBG/HOME/SHP	1,873,475	3,082,323	2,209,262	2,629,823	2,472,018	2,056,585
Paratransit	751,497	918,475	862,670	877,997	888,241	925,457
Administration	1,434,998	1,936,051	1,692,882	1,760,129	1,784,834	1,758,793
Social Services Grants	513,592	513,597	478,770	513,598	513,598	428,770
Total Human Services	\$ 11,499,978	\$ 13,875,198	\$ 12,277,642	\$ 13,802,417	\$ 13,497,305	\$ 12,911,679

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

Accomplishment Highlights FY 2011/12

- Successfully completed the Priority Home Partnership program, funded through federal stimulus funds. During the three-year program, the FRC helped prevent approximately 175 households from becoming homeless.
- Through a partnership with Kaiser Community Foundation, provided Wellness Classes at the Multi-Purpose Senior Center that showed a 40% improvement in seniors' static balance, a key indicator of preventing falls.
- In partnership with United Way of the Bay Area, the department launched SparkPoint Fremont FRC, the second SparkPoint in Alameda County, which brings together free community financial resources for low to middle income people who want to achieve their financial goals.
- Approved \$75,000 in CDBG funding for retrofit of the playground in Centerville Community Park.
- In collaboration with the San Francisco-based Mission Asset Fund, launched Lending Circles, a peer lending program serving up to 56 clients, which assists these individuals in building their credit and saving money.



Service Delivery Changes FY 2012/13

- Discontinue services under the American Recovery and Reinvestment Act (ARRA) funded Homelessness Prevention and Rapid Re-Housing Program (HPRP) and the Community Development Block Grant Recovery (CDBG-R) Program, both of which sunset at the end of FY 2011/12.

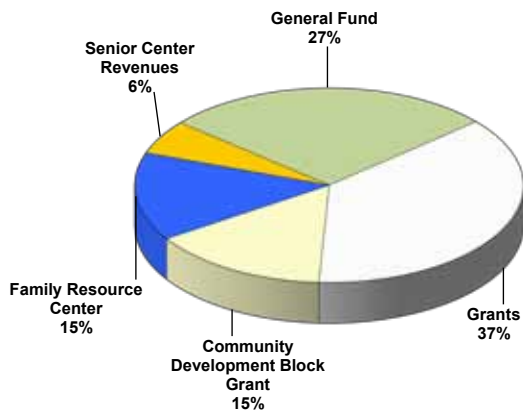
Objectives FY 2012/13

1. Consistent with the City Council's vision for an aging friendly community, the City will provide senior services at the new Cottonwood Senior Housing Facility, which opened in March 2012. This facility has 98 affordable housing units. The department will provide support for the residents on-site, including care management, counseling, information and referral, and Wellness Classes.
2. Continue to build a comprehensive SparkPoint program at the Fremont Family Resource Center. SparkPoint commits to working with clients for up to three years to improve their credit, increase their income and build their assets. In the first year of operation, our goal is to serve 125 SparkPoint participants.
3. Successfully complete the fourth and final year of the pilot program that has developed the "Our Kids Our Families" program and evaluate the sustainability of using the financial model for providing mental health services for students and case management for families at additional schools.
4. Alameda County's Dual Eligible Demonstration project will respond to the State's budget directive to provide medical services for low income seniors within County Health Plans. The department will partner with the Alameda Alliance for Health to insure that older Tri-City residents on Medi-Cal and Medicare get their needs addressed through this change.
5. Work with other City departments to fund eligible City programs or projects with Community Development Block Grant (CDBG) funds.

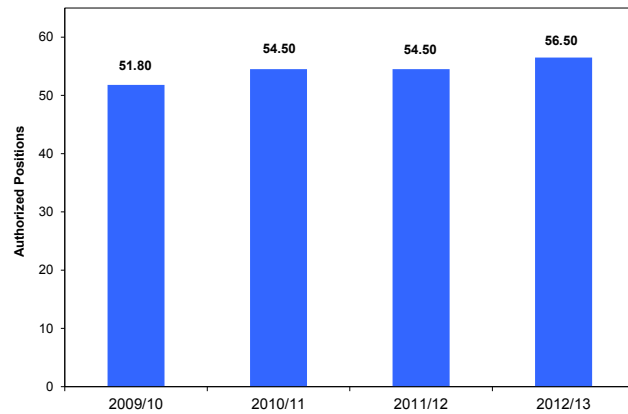
Department Budgets | Human Services

Human Services Sources of Funding

FY 2012/13: \$12,911,679



Human Services Historical Authorized Staffing



Human Services Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 6,543,601	\$ 6,254,982	\$ 6,833,490	\$ 7,010,401	\$ 7,250,958	\$ 7,093,930
Operating Expenditures	3,411,138	5,636,938	4,033,206	5,336,324	4,913,525	4,341,483
Capital Expenditures	28,688	12,038	4,265	49,000	49,000	62,500
Indirect Expense Allocation**	1,516,551	1,971,240	1,406,681	1,406,692	1,283,822	1,413,766
Totals	\$ 11,499,978	\$ 13,875,198	\$ 12,277,642	\$ 13,802,417	\$ 13,497,305	\$ 12,911,679

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget -4.3%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 Human Services proposed budget is \$585,626 (or 4.3%) less than the FY 2011/12 adopted budget.
- Salaries and benefits are decreasing by 2.2%. This is the result of labor negotiations completed in FY 2011/12, which means that all department staff members are now paying a portion of the employer's share of the CalPERS retirement costs. Staff has increased by 2.0 FTE as result of converting two Office Specialist II positions from temporary to regular due to an increase in sustainable grant and contract funding to cover the ongoing costs of these positions.
- Operating expenditures are decreasing by 11.6%, due to significant reductions in CDBG entitlement funds.
- Capital expenditures are increasing by \$13,500 (or 27.6%), in order to update VHS equipment in the group counseling room to a digital system.
- The indirect expense allocation is increasing by 10.1%, primarily due to increases in the department's share of information technology costs.

Department Budgets | Human Services

Staffing by Function FY 2012/13

Human Services			
	Human Services Director	1.00	
	Deputy Director Human Services	1.00	
	Executive Assistant	1.00	
	Office Specialist II	1.00	
Youth and Family Services		Family Resource Center	
Family Services Administrator	1.00	Family Services Administrator	1.00
Clinical Supervisor	2.00	Case Manager	3.70
Senior Program Coordinator	1.00	Clinical Supervisor	1.00
Counselor	9.95	Senior Office Specialist	1.00
Administrative Assistant	1.00	Program Coordinator	2.00
Senior Accounting Specialist	1.00	Counselor	1.00
Office Specialist II	0.50	Office Specialist II	1.50
<i>Counseling Interns*</i>		<i>Public Service Assistant*</i>	
CDBG Services		Aging and Family Services	
CDBG Administrator	1.00	Family Services Administrator	1.00
Management Analyst II	1.00		
Senior Accounting Specialist	1.00		
		Senior Supportive Services	
Paratransit		Clinical Supervisor	2.00
Management Analyst II	1.00	Case Manager	6.05
Senior Office Specialist	1.00	Senior Program Coordinator	1.80
<i>Outreach Workers*</i>		Counselor	2.20
		Administrative Assistant	1.00
		Senior Office Specialist	1.00
		<i>Outreach Workers*</i>	
		Senior Center	
		Senior Center Manager	1.00
		Program Coordinator	1.00
		Chef/Food Services Manager	1.00
		Assistant Chef	0.80
		Senior Office Specialist	1.00
		<i>Public Service Assistants*</i>	

**Temporary positions not counted in full-time equivalents*

Regular Full-Time Equivalents: 56.50

Police

Mission:

Public safety through professional law enforcement.

Major Services

Patrol

Respond to calls for police assistance, maintain order, target and apprehend known and suspected law violators, and seek long-term solutions to problems and issues important to the community.

Investigation

Investigate serious felony crimes such as homicide, robbery, sex crimes, child abuse, kidnapping, burglary, and assault.

Traffic Enforcement

Investigate serious collisions and enforce the vehicle code to control violations known to cause collisions.

9-1-1 Emergency Services

Communicate with individuals in peril and coordinate first responders to preserve life and property.

Animal Control

Respond to animal-related calls for service in Fremont, operate the Tri-City Animal Shelter, facilitate adoption outreach and support, provide animal spay/neuter services, license pets, and control rabies.

Department Overview



The Police Department is responsible for safeguarding lives and property, and enhancing public safety. Protective services include 9-1-1 response, traffic and law enforcement, crime trend analysis, crime investigation and prevention, and Special Weapons and Tactics (SWAT) operations. Furthermore, the Police Department operates the School Resource Officer program, community engagement, detention facility operations, and animal control/shelter services. Emergency services are provided 24 hours a day, 7 days a week.

Accomplishment Highlights FY 2011/12

- Issued a Request for Proposals (RFP) and selected a consultant to conduct a feasibility study for the consolidation of Police and Fire call taking and dispatch activities for Fremont, Newark, and Union City.
- A new Police Department website was launched in February 2012, that provides community members with instant access to various services and programs. Featured are Police News, Frequently Asked Questions (FAQs), quick links, a variety of online forms and linkage to information and services which was not possible on the former Police Department website.
- At the Detention Facility, a method to generate new revenue and offset staffing costs was identified through the implementation of the “Pay-to-Stay” program in spring 2012. For a fee, convicted and sentenced misdemeanants can opt to stay at the Fremont Detention Facility rather than the County jail to serve their time.
- Completed phase one of the Crossroads software and hardware project, which provides motorcycle officers from the traffic unit the ability to issue digital citations in the field using a handheld device and portable printer. This improves efficiency by reducing personnel time required to process citations and allows for automatic transfer of digital citation data.
- Converted two public safety positions in Animal Services and Dispatch to professional civilian positions.
- In partnership with the Public Works Department, completed the seismic retrofit of the Police building. As a result, the Fremont Police Department facility has been upgraded to current public safety building standards to withstand a major seismic event.



Service Delivery Changes FY 2012/13

- The rotating 4/10 patrol schedule was implemented in January 2012. In FY 2012/13, the department will continue to evaluate and adjust to the change and its impacts to Patrol operations.
- Renewed participation in the Rapid Enforcement Allied Computer Team (REACT) due to receipt of new funding, resulting in an increased ability and resources to investigate computer-related crimes.
- Provide a new alternative commitment (Pay-to-Stay) program to the community, allowing low-risk misdemeanor offenders to serve their jail sentences at our local detention facility instead of at the county jail.

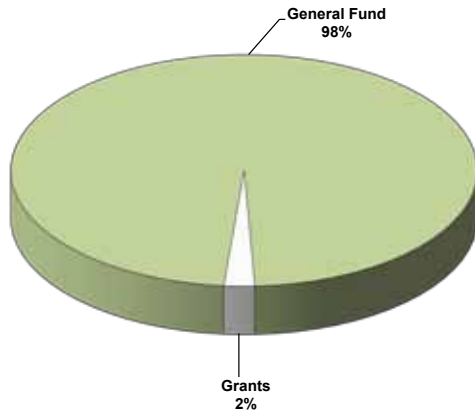
Objectives FY 2012/13

1. Upgrade the in-car video equipment to give the department more opportunities to provide digital evidence for criminal actions and increase public transparency. Added features include vehicle license plate reading equipment for investigative purposes, personal body worn video equipment to record officer contacts, video equipment for police motorcycles during traffic enforcement, and digital evidence management software for all of the department's digital evidence.
2. Evaluate the new rotating 4/10 patrol schedule that was implemented in January 2012 to reduce the cost of patrol operations while preserving service level quality. The shift change will increase patrol personnel and targeted proactive enforcement effort on 52 overlap dates when the most Police Officers will be on duty.
3. Implement phase two of the Crossroads software and hardware project, which will generate a digital copy of collision reports, thereby reducing the workload and report processing time, allowing for queries and analysis of the data, and providing the ability to provide online reports to stakeholders.
4. Continue the evaluation of consolidating dispatch centers with Union City, Newark, and the Fremont Fire Department based on the Consolidated Dispatch Study completed in February 2012.
5. Expand the CARE (Connect, Assist, Respond and Engage)/HAPP (Handicapped Parking Permit Enforcement) Volunteer program by adding approximately 25 new volunteers, to allow for implementation of the "You Are Not Alone Program" and expand handicapped parking enforcement efforts.

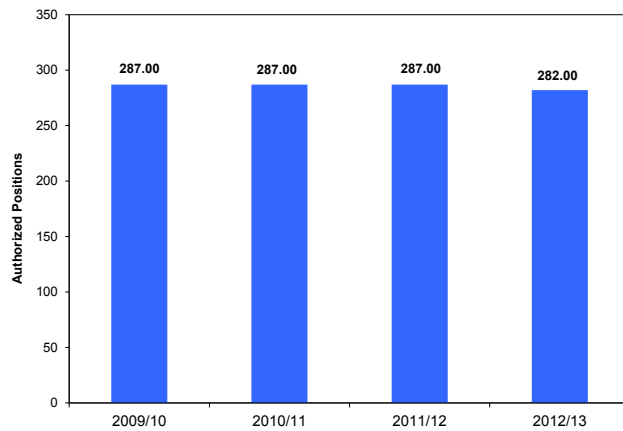
Department Budgets | Police

Police Sources of Funding

FY 2012/13: \$53,835,824



Police Historical Authorized Staffing



Police Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 44,255,850	\$ 44,071,953	\$ 43,793,060	\$ 45,118,185	\$ 47,659,527	\$ 44,009,930
Operating Expenditures	3,143,431	2,977,815	3,348,551	3,173,899	3,066,339	3,319,376
Capital Expenditures	141,047	59,952	172,000	95,014	69,000	117,500
Indirect Expense Allocation**	6,233,186	6,764,876	6,829,113	6,829,113	6,829,113	6,389,018
Totals	\$ 53,773,514	\$ 53,874,596	\$ 54,142,724	\$ 55,216,211	\$ 57,623,979	\$ 53,835,824

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget -6.6%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 Police Department proposed budget is \$3,788,185 (or 6.6%) less than the FY 2011/12 adopted budget. Police Department staffing has decreased by 5.0 FTE. This is the result of converting 2.0 FTE Police Officer vacant positions to overtime, and transferring 3.0 FTE Police Information Systems positions to the Information Technology Services Department.
- Salaries and benefits are decreasing by 7.7%. This is due to a combination of staffing changes in the department, including transferring the 3.0 FTE Information Systems positions to the IT Services Department, dropping 2.0 FTE sworn positions and adding 2.0 FTE non-sworn professional positions, at reduced salary and benefit rates, as well as revising the Police Patrol schedule to provide better coverage and reduce overtime costs. In addition, all department staff members are either now paying a portion of the employer's share of the CalPERS retirement costs or have taken a salary reduction as a result of the completion of labor negotiations in FY 2011/12.
- Operating expenditures are increasing by 8.3%, as a result of converting 2.0 FTE positions to overtime, to more appropriately budget needed overtime funding, which was previously funded by holding positions vacant.
- Capital expenditures are increasing by \$48,500, in order to purchase equipment using asset seizure funds (non-general fund expenditures).
- The indirect expense allocation is decreasing by 6.4%, which is primarily the result of decreases in the department's vehicle replacement allocation.

Department Budgets | Police

Staffing by Function FY 2012/13

Police			
Chief's Office			
Police Chief		1.00	
Executive Assistant		1.00	
Business Services			
Business Manager	1.00		
Accounting Technician	1.00		
Senior Accounting Specialist	2.00		
Senior Office Specialist	1.00		
Special Assistant 1.00*			
Public Service Assistant (PSA) 16.00*			
(Equipment Room)			
Special Operations Division			
Police Captain	1.00		
Police Lieutenant	3.00		
Crime Intel & Analysis Manager	1.00		
Police Sergeant	6.00		
Animal Services Manager	1.00		
Police Officer ¹	33.00		
Management Analyst II	1.00		
Crime Analyst	1.00		
Community Engagement Specialist	2.00		
Detention Supervisor	4.00		
Administrative Assistant	1.70		
Senior Office Specialist	2.00		
Community Service Officer	2.00		
Detention Officer	12.00		
Property Officer	3.00		
Records Specialist ²	3.00		
Animal Services Officer	5.00		
Office Specialist II	2.00		
PSA 13.00*, Surgical Assistant 1.00*			
(Animal Services)			
Police Officer 6.00* (Personnel and Court Liaison)			
Special Assistant 4.00*			
(Red Light Enforcement and SACMCTF)			
PSA 2.00* (Alarm Abatement Program)			
(Court Liaison)			
Office of Professional Standards & Accountability			
Police Sergeant		2.00	
Special Investigator to the Chief			
Police Officer		2.00	
Records Unit			
Police Records Administrator		1.00	
Records Supervisor		3.00	
Records Specialist		7.00	
Records Assistant		3.00	
Patrol Division			
Police Captain		1.00	
Police Lieutenant		5.00	
Police Sergeant		21.00	
Public Safety Communications Manager		1.00	
Chief Forensic Specialist		1.00	
Police Officer		106.00	
Communications Dispatch Supervisor		4.00	
Communications Dispatcher		20.00	
Administrative Assistant		1.30	
Communication Technician		1.00	
Community Service Officer		11.00	
Records Specialist		1.00	
Reserve Officer 8*			
Police Officer 1*			
(Armory)			

¹Six School Resource Officers funded 50:50 by the Fremont Unified School District and City of Fremont

² One Records Specialist assigned to the Southern Alameda County Major Crimes Tasks Force (SACMCTF)

*Part-time, Temporary positions not counted in full-time equivalents.

Regular Full-Time Equivalents: 282.00

Public Works

Mission:

To enhance the community by providing the highest quality public works services through the construction and maintenance of safe and effective public infrastructure and transportation systems that support a desirable quality of life for residents, businesses, and visitors, and to serve the organization by providing efficient and effective internal building maintenance, fleet maintenance, and hazardous materials management services.

Major Services

Transportation Engineering

Maintain and enhance traffic flow through transportation planning, capital street improvement projects, coordination with regional and State transportation organizations, and an effective traffic signal system.

Design, Development, and Construction Engineering

Review all proposed land development projects in the City and execute the design and construction of public projects such as streets, parks, and public buildings.

Maintenance of City Assets

Preserve and enhance capital assets and maintain and improve safety through the maintenance of City streets, public buildings, and vehicles.

Department Overview



The Public Works Department is comprised of Maintenance Services, Engineering, and Transportation and Traffic Engineering. Public Works is responsible for the daily maintenance and upkeep of City infrastructure, design and construction of new or improved public facilities, managing a safe and efficient citywide transportation network, and the expedient review of development projects in accordance with the Fremont Municipal Code and standards. The department also partners with regional transportation agencies to ensure Fremont's interests are considered in major regional projects such as the BART extensions to

Warms Springs and Silicon Valley/Santa Clara County, the Mission Warren/Truck Rail Project, the Kato Road Grade Separation project, and the East-West Connector project.

Department Budgets | Public Works

Public Works

Historical Expenditures/Budget, by Major Service Area

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Hazardous Materials	\$ 312,191	\$ 333,017	\$ 278,216	\$ 425,032	\$ 392,300	\$ 350,598
Streets	3,889,456	4,128,822	4,401,951	4,057,131	4,144,072	3,943,366
Public Buildings	5,161,550	5,364,471	5,287,970	5,884,316	5,871,293	5,725,581
Fleet Maintenance	2,369,908	2,568,601	2,738,928	2,619,104	2,619,263	2,779,467
Engineering	7,082,138	7,212,372	6,452,999	6,390,913	6,558,152	6,514,523
Transportation Engineering	2,119,630	2,103,236	2,221,041	2,283,319	2,351,375	2,153,523
Administration	1,997,058	1,656,419	1,413,899	1,618,962	1,618,619	1,313,282
Total Transportation & Operations	\$ 22,931,931	\$ 23,366,938	\$ 22,795,004	\$ 23,278,777	\$ 23,555,074	\$ 22,780,340

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

Note: Prior to FY 2006/07, the budget for Transportation Engineering was displayed as part of the "Engineering" budget in the Community Development Department. Prior to FY 2011/12, the budget for Engineering was displayed as part of the "Engineering" budget in the Community Development Department.

Accomplishment Highlights FY 2011/12

- Completed the construction of Fire Station 3. This project included extensive remodeling, a small new addition, and earthquake retrofitting for this essential services facility.
- Completed the construction of a \$5 million overlay project to repair four miles of distressed streets and the construction of a \$3 million federally funded overlay project on Paseo Padre Parkway and Mission Boulevard.
- Completed the seismic retrofit of the Police Building. This project implemented recommendations of the Federal Emergency Management Agency to strengthen this essential services facility by using special braces and brackets to protect it from earthquake vulnerabilities.
- Worked with the Alameda County Transportation Commission to include all of the City's recommended transportation projects in the new Countywide Transportation Plan and \$230 million of high priority Fremont projects in the Measure B3 Transportation Sales Tax Expenditure Plan, to be placed on the ballot in November 2012.
- Completed construction improvements to Osgood Road between Washington Boulevard and Grimmer Boulevard, which provided two traffic lanes and a bike lane in each direction, curbs, sidewalk improvements, and a two-way left turn striped median. Utilized \$1.4 million in federal funds as part of this \$8 million project. The goals of this project were met by accommodating increased traffic demand in the vicinity, rehabilitating the deteriorating roadway, increasing safety for pedestrians and bicyclists, and bringing Osgood Road into conformance with the City's General Plan.



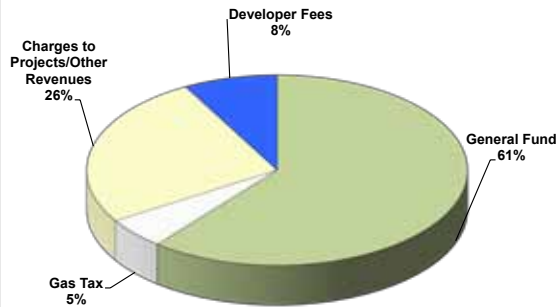
Objectives FY 2012/13

1. Work with BART and other transportation partners to secure Fremont's interests as the construction of the BART extension to Warm Springs continues from the Fremont station to the future station site, and with the design and construction of the extension through south Fremont into Silicon Valley/Santa Clara County. Specific projects related to this include the Mission/Warren/Truck Rail project and the Kato Road Grade Separation project.
2. Bid and complete an energy conservation project replacing the existing high-pressure sodium street lights with more energy efficient light emitting diode (LED) street lights on Paseo Padre Parkway between Fremont Boulevard and Washington Boulevard by summer 2013.
3. Prepare a Real Estate Asset Management Program and implement by October 2012 to more effectively value and manage City-owned real property assets.
4. Coordinate with PG&E on the replacement of the high pressure gas pipeline 107, which runs through Fremont, including the decommissioning of line 131 and improvements to the other pipeline.
5. If the Measure B3 Transportation Sales Tax is passed in November, work with the Alameda County Transportation Commission (ACTC) and the City's representative to ACTC to get Fremont's priority project(s) included in the first ACTC Capital Improvement Program for early funding.
6. In partnership with the Finance Department, study the internal service fund concept for fleet services to determine the preferred methodology to allocate fleet maintenance operating costs.

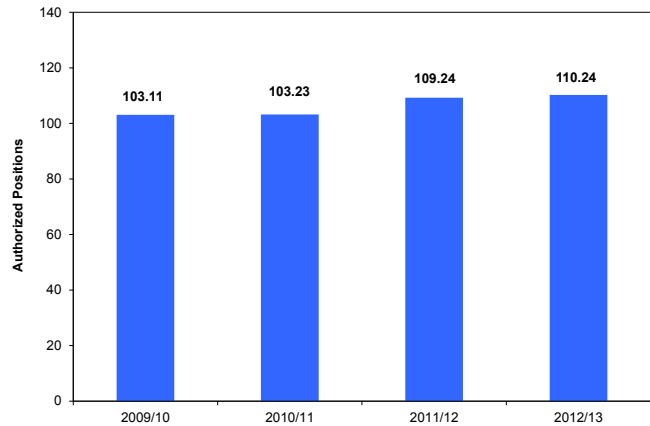
Performance Measurement

<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i><u>Street & Road Maintenance</u></i>		
Average Pavement Condition Index (PCI) of the entire streets and roads network	PCI of 62	TBD
<i><u>Fleet Maintenance</u></i>		
Percent of preventative maintenance repairs performed on-schedule (e.g., completed within two weeks of scheduled service)	70%	TBD
<i><u>Graffiti Abatement</u></i>		
Percent of graffiti removal calls responded to within:		
• One business day for Priority 1 graffiti (gang-related or profane)	• 100%	TBD
• One business week for Priority 2 graffiti for all other types	• 60%	TBD

Public Works Sources of Funding FY 2012/13: \$22,780,340



Public Works Historical Authorized Staffing



Public Works Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 13,219,538	\$ 13,110,435	\$ 12,664,078	\$ 12,853,966	\$ 13,348,743	\$ 12,978,896
Operating Expenditures	6,555,460	7,343,030	7,370,851	7,623,902	7,413,193	7,274,243
Capital Expenditures	19,854	16,275	25,870	41,474	33,703	33,703
Indirect Expense Allocation**	3,137,079	2,897,198	2,734,205	2,759,435	2,759,435	2,493,498
Totals	\$ 22,931,931	\$ 23,366,938	\$ 22,795,004	\$ 23,278,777	\$ 23,555,074	\$ 22,780,340

% increase/(decrease), including all funds, from 2011/12 Adopted Budget -3.3%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 Public Works proposed budget is \$774,734 (or 3.3%) less than the FY 2011/12 adopted budget.
- Salaries and benefits are decreasing by 2.8%. This is the result of labor negotiations completed in FY 2011/12, which means that all department staff members are either now paying a portion of the employer's share of the CalPERS retirement costs or have taken a salary reduction. The decreases are partially offset by increasing staffing by 1.0 FTE with the addition of a 0.75 FTE Engineering Technician position, as well as increasing an Associate Civil Engineer position by 0.25 FTE.
- The indirect expense allocation is decreasing by 9.6% as a result of decreases in the department's share of internal allocations, primarily in the IT Services allocation due to reduced computer inventory from previous years.

Department Budgets | Public Works

Staffing by Function FY 2012/13

Public Works			
Maintenance Services		Engineering	
Administration		Public Works Director	0.20
Public Works Director	0.30	City Engineer	1.00
Deputy Director,	0.90	Deputy Director,	0.05
Maintenance & Business Operations		Maintenance & Business Operations	
Management Analyst II	1.20	Senior Civil Engineer	3.00
Executive Assistant	0.30	Real Property Manager	1.00
Administrative Assistant	1.00	Real Property Agent	1.96
Office Specialist II	3.00	Supervising Construction Coordinator	2.00
		Associate Civil Engineer	5.00
		Civil Engineer II	4.875
		Facilities Design/Construction	1.00
		Project Supervisor III	
		Senior Construction Inspector	3.00
		Management Analyst II	0.40
		Chief of Party	1.00
		Construction Inspector	3.00
		Civil Engineer I	1.00
		Construction Materials Inspector	1.00
		Survey Instrument Operator	1.00
		Executive Assistant	0.20
		Engineering Technician	0.75
		Office Specialist II	2.65
Environmental Compliance			
Management Analyst II	1.00		
Fleet Maintenance			
Fleet Maintenance Manager	1.00		
Fleet Mechanic II	2.00		
Heavy Equipment Mechanic	3.00		
Auto Equipment Mechanic	1.00		
Equipment Support Coordinator	1.00		
Mechanic Assistant	3.00		
Public Buildings		Transportation Engineering	
Building Maintenance Manager	1.00	Public Works Director	0.50
Facilities Design/Construction Project Supervisor II	1.00	Deputy Director,	0.05
Building Maint. Field Supervisor	3.00	Maintenance & Business Operations	
Management Analyst II	1.00	Senior Transportation Engineer	2.00
Building Maintenance Worker II	12.00	Associate Transportation Engineer	3.00
Building Maintenance Worker I	1.00	Transportation Engineer II	3.00
Office Specialist II	1.00	Management Analyst II	0.40
		Executive Assistant	0.50
		Engineering Technician I	1.00
		Office Specialist II	1.00
Street Maintenance			
<u>Pavement Maintenance</u>			
Street Maintenance Manager	0.35		
Street Field Supervisor	1.00		
Street Maintenance Worker II	4.00		
Street Maintenance Worker I	5.00		
<u>Street Sanitation</u>			
Street Maintenance Manager	0.35		
Street Field Supervisor	1.00		
Street Maintenance Worker II	6.00		
Street Maintenance Worker I	1.00		
<u>Traffic Safety</u>			
Street Maintenance Manager	0.30		
Street Field Supervisor	1.00		
Street Maintenance Worker II	4.00		
Street Maintenance Worker I	2.00		

Regular Full-Time Equivalents: 110.235

Administrative Departments

Description of Responsibilities and Services

The Administrative Departments include the City Manager's Office, City Attorney's Office, City Clerk's Office, Finance, Human Resources, and Information Technology Services. These departments work together to provide the organization infrastructure that makes services to the community possible. Because they work collaboratively to support the organization, administrative departments' objectives are presented collectively. Other department budget information is displayed on subsequent pages.

FY 2012/13 Objectives

City Manager's Office

1. Continue to implement the Strategic Fiscal Sustainability Study Action Plan throughout the next few years and ensure timelines are met.
2. Launch a performance measurement system throughout the remaining City departments by June 2013.
3. Continue to enhance the City's legislative advocacy efforts.
4. Develop and launch a civic engagement process to inform and engage residents on City programs, services, and the City's fiscal environment.
5. Manage and lead key City's initiatives including, but not limited to: Warm Springs development; Downtown Plan; Regional Partnerships; and Organizational Development efforts.

City Attorney's Office

6. Complete the recodification of the Fremont Municipal Code, in conjunction with the City Clerk's Office, by updating the structure and organization of the compilation of the City's ordinances into a more user-friendly and accessible format by June 2013.
7. Assist the Community Development Department with the update of the City's zoning code by June 2014 to implement the new General Plan.
8. Continue to support goals and objectives of other City departments by providing effective and timely legal advice and preparation and review of implementing documents.

City Clerk's Office

9. Administer the November 6, 2012 General Municipal Election.
10. Streamline the Council Agenda Format and Council Memo Format to ensure transparency and remove redundancy.
11. Monitor the changing postal service environment and accommodate changes as needed to the mail room during the fiscal year.
12. Continue to coordinate the purchase of a software service to efficiently organize and manage streaming content for City Council and Planning Commission meetings to enhance accessibility to these materials.
13. Complete the recodification of the Fremont Municipal Code by systematically organizing the City's ordinances into titles, chapters, and sections by subject matter with a table of contents and index for fast referencing by June 2013.
14. Work with City Departments to review and update each Department's Records Retention Schedule by June 2013 to ensure the schedules are current.

Finance Department

15. In partnership with the Human Resources and Information Technology Services Departments, implement the migration of the City's financial application, in order to improve functionality and reliability, and improve integration with other City systems. Implementation is anticipated to be complete by fall 2013.
16. In partnership with Information Technology Services, evaluate options and schedule an upgrade to the software for the City's Business License application.
17. In partnership with all departments, complete the comprehensive Master/User Fee Study and in-depth review of Development Cost Center fees, and develop a Cost Allocation Plan and a fully-burdened staff rate analysis to accurately account for the true cost of providing City services by the end of summer 2012.
18. Conduct a review of the current City-issued cell phones and their usage to better manage cell phone-related costs. This project is expected to be completed by the end of summer 2012.
19. In partnership with the Public Works Department, study the internal service fund concept for fleet services to determine the preferred methodology to allocate fleet maintenance operating costs.
20. Develop a marketing strategy and outreach campaign to encourage more businesses to use the City's online business license renewal option, which will make business license renewal easier for customers and provide more efficient use of staff time.

Human Resources

21. In partnership with Information Technology Services, implement Peoplesoft self-service access to Human Resources and benefit information to empower employees and increase efficiencies by the end of fiscal year 2012/13.
22. Develop a program to provide training for first line supervisors and managers to improve or solidify best work practices by spring 2013.
23. Continue to evaluate and implement human resource-related recommendations presented in the Strategic Fiscal Sustainability Study over the next one to two fiscal years.
24. Negotiate new bargaining agreements with nine bargaining units to meet City Council objectives by June 30, 2013.
25. Develop and implement an employee engagement program to foster employee satisfaction and maintain Fremont's status as a desirable employer.
26. Develop and implement an employee performance management program to set and maintain performance standards.

Information Technology Services

27. In partnership with the Finance Department, begin work on the selected migration path and implement a new financial system by fall 2013 that will provide improved functionality and usability, as well as better integration with the Payroll/Human Resources Management System.
28. Continue the project to replace the current permitting system with a robust land use/permitting system to assist in accomplishing land use and development objectives described in the City's General Plan and Zoning Act. Complete the system development to meet detailed customer requirements and complete the procurement process by the end of FY 2012/13 to implement and begin using the new system in FY 2013/14.
29. Upgrade and/or replace the GIS Online application by the end of June 2013 to take advantage of the latest technology, improve usability as well as public access to data, and allow for cross-platform functionality including mobile devices.
30. Implement a new e-mail system including hardware and infrastructure by the end of FY 2012/13 to improve electronic communications for end users.
31. To ensure business continuity, enter into an agreement by the end of June 2013 with a third-party data warehouse vendor or another city establishing a redundant disaster recovery site to replicate and store the City's critical data.
32. In partnership with the Human Resources Department, implement PeopleSoft self-service access to Human Resources and benefit information to empower employees and increase efficiencies by the end of FY 2012/13.

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City Manager

Mission:

Provide strategic leadership that supports the Mayor and the City Council in its policy-making role; and effectively motivate and challenge the organization to deliver high quality services that meet the community's needs while ensuring that effective communication tools are used to engage the workforce and community.

Major Services

Public Policy Support

Provide professional expertise and support to the City Council in the formulation, interpretation, and application of public policy and legislative advocacy.

Citywide Service Delivery

Manage and coordinate citywide service delivery efforts by providing strategic direction and oversight.

Communications and Public Education

Lead efforts to promote communication between the City's departments, media, and the public, and to publicize Fremont's innovative programs, services, and best practices.

Organizational Leadership and Development

Provide leadership to departments and City activities, assure accountability of departments and staff on core activities, and champion efforts to increase leadership and management training.

Department Overview



The City Manager's Office is responsible for providing support and advice to the City Council, offering leadership and legislative policy support for departments, fostering community partnerships and interagency collaboration, and championing efforts to increase organizational development and resiliency by continuing the organizational development program focusing on leadership and management training.

Department Budgets | City Manager

City Manager's Office Historical Expenditures/Budget, by Major Service Area

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
City Manager's Office	\$ 989,730	\$ 1,101,148	\$ 1,132,631	\$ 1,167,429	\$ 1,168,814	\$ 1,412,223
Communications and Marketing	-	177,170	226,194	225,483	223,596	218,215
Total City Manager's Office	\$ 989,730	\$ 1,278,318	\$ 1,358,825	\$ 1,392,912	\$ 1,392,410	\$ 1,630,438

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

Accomplishment Highlights FY 2011/12

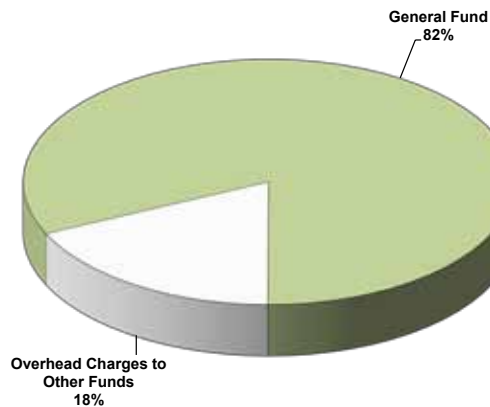
- Developed and launched a Community Civic Engagement Plan, which included a Community Survey.
- Conducted a City Council Retreat in May that focused on civic engagement, the FY 2012/13 budget, and future funding priorities.
- Launched Phase One of the City's performance measurement system, in partnership with the Finance Department, with the Community Services, Fire, Human Resources, Information Technology Services, and Public Works departments.
- Presented updates to Council on the Warm Springs and Downtown Plans.
- Completed and began implementation of a comprehensive Strategic Fiscal Sustainability Study to develop cost control strategies and identify ways to increase revenue. Implementation accomplishments include:
 - City Council adoption of a comprehensive list of budget principles;
 - Implemented a rotating 4/10 patrol schedule for Police officers;
 - Converted two Public Safety positions to civilian positions;
 - Developed an Information Technology strategic plan to guide the City's technology investments;
 - Reallocated use of City cell phones for business necessity;
 - Developed and issued an RFP for market data for the cost of Median Maintenance and Outside Parks Mowing; and
 - Completed consolidation study for Fire and Police dispatch services.
- Strategic Communications Efforts:
 - Launched the City's Social Media Pilot Program, which included five Facebook pages, two Twitter accounts, and one YouTube Channel;
 - Redesigned the Fire Department Intranet site and the Police Department public website.
- Held the City of Fremont's First Legislative Luncheon with federal and State legislators and key regional partners.

Objectives FY 2012/13

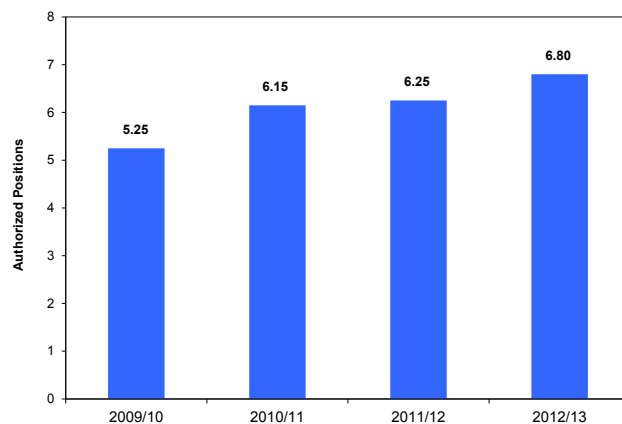
1. Continue to implement the Strategic Fiscal Sustainability Study Action Plan throughout the next few years and ensure timelines are met.
2. Launch a performance measurement system throughout the remaining City departments by June 2013.
3. Continue to enhance the City's legislative advocacy efforts.
4. Develop and launch a civic engagement process to inform and engage residents on City programs, services, and the City's fiscal environment.
5. Manage and lead key City's initiatives including, but not limited to:
 - Warm Springs development;
 - Downtown Plan;
 - Regional Partnerships; and
 - Organizational Development efforts.

Department Budgets | City Manager

City Manager's Office Sources of Funding FY 2012/13: \$1,630,438



City Manager's Office Historical Authorized Staffing



City Manager's Office Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 750,379	\$ 839,170	\$ 987,313	\$ 987,313	\$ 1,017,597	\$ 1,261,027
Operating Expenditures	110,230	341,788	270,448	300,617	269,833	266,643
Capital Expenditures	-	-	3,918	7,836	7,836	3,000
Indirect Expense Allocation**	129,121	97,360	97,146	97,146	97,144	99,768
Totals	\$ 989,730	\$ 1,278,318	\$ 1,358,825	\$ 1,392,912	\$ 1,392,410	\$ 1,630,438

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget 17.1%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 City Manager's Office proposed budget is \$238,028 (or 17.1%) more than the FY 2011/12 adopted budget.
- Salaries and benefits are increasing by 23.9%. This is partially the result of transferring portions of the City Manager and the Assistant to the City Manager/City Clerk's salaries back to the City Manager's Office, due to the dissolution of Redevelopment. In addition, the City Manager's Office is adding 1.0 FTE Management Analyst II, as recommended in the Sustainability Study Action Plan, to provide analytical support. The increases are somewhat offset by the completion of labor negotiations in FY 2011/12, which means that all department staff members are now paying a portion of the employer's share of the CalPERS retirement costs.

Staffing by Function FY 2012/13

City Manager's Office	
City Manager	1.00
Assistant City Manager	0.50 *
Assistant to the City Manager/City Clerk	0.30 *
Management Analyst II	2.00
Executive Assistant to the City Manager	1.00
Senior Office Specialist	1.00
Communications Office	
Communications Coordinator	1.00
* The balance of this position is budgeted in the City Clerk's Office.	

Regular Full-Time Equivalents: 6.80

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City Attorney

Mission:

To effectively utilize available resources to provide excellent legal and risk management services, consistent with the highest professional and ethical standards, to the Mayor and City Council, City departments, and boards and commissions, with the goal of protecting and advancing the City's interests.

Major Services

City Attorney

Provide legal services and represent the City in civil matters to protect and advance the City's interest.

Risk Management

Provide claims administration and defense, workers' compensation administration, and employee safety training.

Department Overview



The City Attorney's Office provides a full range of day-to-day legal services to the City. The office supports all aspects of the City's mission by rendering legal advice and opinions, and drafting and reviewing contracts, ordinances, resolutions and other documents needed to accomplish the City's goals and policies. Staff attorneys advise the City Council, commissions, boards, and all City departments on legal matters such as land use and environmental regulations, special development projects, potential liability for City actions, and compliance with federal and State laws, as well as employment laws. The office assists in negotiating complex agreements, including labor and multi-jurisdictional agreements, public/private partnerships, and land use and development agreements. The office also represents the City's legal interests before judicial and administrative agencies, and prosecutes code enforcement matters. The office provides risk management services to the City through its Risk Management division.

Department Budgets | City Attorney

City Attorney's Office Historical Expenditures/Budget, by Major Service Area

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
City Attorney	\$ 1,222,394	\$ 1,579,734	\$ 1,488,000	\$ 1,545,360	\$ 1,572,749	\$ 1,528,363
Risk Management	7,028,125	7,152,399	6,710,394	7,181,281	7,198,588	7,210,709
Total City Attorney's Office	\$ 8,250,519	\$ 8,732,133	\$ 8,198,394	\$ 8,726,641	\$ 8,771,337	\$ 8,739,072

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

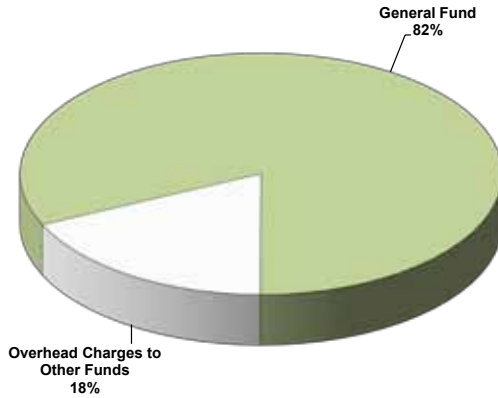
Accomplishment Highlights FY 2011/12

- Assisted Community Development staff with review, development, and adoption of the City's new General Plan; prepared necessary resolutions and findings.
- Provided training to all City departments, in collaboration with the Finance Department, on the City's newly updated purchasing/contracting ordinance.
- Initiated a Request for Proposal (RFP) for Workers' Compensation Administrator services, resulting in a 14% reduction in annual fees for the first year of service.
- Assisted the City and Redevelopment Agency with advice and transactional work related to the legislative dissolution of the Redevelopment Agency and the creation of a successor agency.

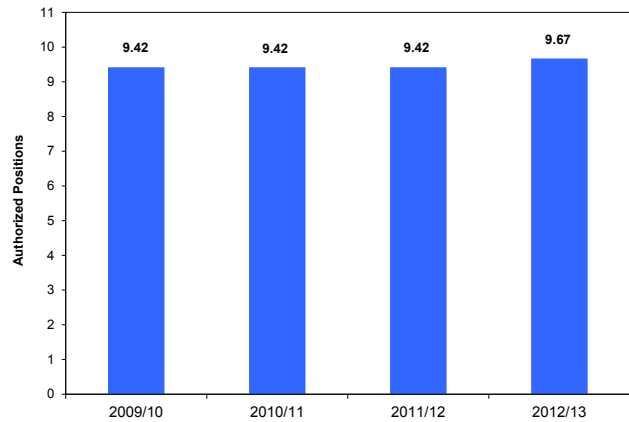
Objectives FY 2012/13

1. Complete the recodification of the Fremont Municipal Code, in conjunction with the City Clerk's Office, by updating the structure and organization of the compilation of the City's ordinances into a more user-friendly and accessible format by June 2013.
2. Assist the Community Development Department with the update of the City's zoning code by June 2014 to implement the new General Plan.
3. Continue to support goals and objectives of other City departments by providing effective and timely legal advice and preparation and review of implementing documents.

City Attorney Sources of Funding
FY 2012/13: \$8,739,072



**City Attorney
Historical Authorized Staffing**



City Attorney's Office (includes Risk Management Division)
Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 1,847,265	\$ 2,046,496	\$ 2,076,635	\$ 2,148,962	\$ 1,843,658	\$ 2,189,213
Operating Expenditures	6,336,026	6,596,952	6,032,512	6,488,432	6,838,432	6,459,180
Capital Expenditures	-	-	-	-	-	-
Indirect Expense Allocation**	67,228	88,685	89,247	89,247	89,247	90,679
Totals	\$ 8,250,519	\$ 8,732,133	\$ 8,198,394	\$ 8,726,641	\$ 8,771,337	\$ 8,739,072

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget -0.4%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Department Budgets | City Attorney

Major Changes

- The FY 2012/13 City Attorney's Office proposed budget is \$32,265 (or 0.4%) less than the FY 2011/12 adopted budget.
- Salaries and benefits are increasing by 18.7%. This is the result of portions of the City Attorney's salary being transferred back to the City's Attorney's Office, due to the dissolution of Redevelopment. This was partially offset by the completion of labor negotiations in FY 2011/12, which means that all department staff members are now paying a portion of the employer's share of the CalPERS retirement costs.
- Operating expenditures are decreasing by 5.5%, due to a reduction in the budget for outside legal services.

Staffing by Function FY 2012/13

City Attorney's Office	
City Attorney	0.86*
Assistant City Attorney	0.92
Senior Deputy City Attorney	2.00
Deputy City Attorney	1.00
Law Office Supervisor	1.00
Paralegal	0.75
Risk Management	
City Attorney	0.06*
Assistant City Attorney	0.08
Risk Manager	1.00
Safety Coordinator	1.00
Risk Management Technician	1.00
* The balance of this position is budgeted in the Environmental Services Division of the Community Services Department.	

Regular Full-Time Equivalents: 9.67

City Clerk

Mission:

Ensure citizens' trust in government by administering the City's democratic processes such as open and free elections, safeguarding and providing access to City records, and ensuring that all legislative actions are transparent and known to the public; and providing information and services to support the City Council, staff, and the public.

Major Services

City's Legislative Process

Facilitate and maximize public and Council access to the City's legislative processes so that all interested parties have an opportunity to participate.

Elections

Manage and conduct elections to ensure that all Fair Political Practices regulations are properly followed.

Public Records Act and Public Records Retention

Coordinate the City's Records Management Program and maintain legislative history to ensure accessibility and continuity.

Mail Room

Provide citywide mail services, for both internal routing and external mail, and ensure that mail processing is done efficiently.

Department Overview



The Office of the City Clerk oversees the preparation of the City Council agenda, records the City Council's actions in official minutes, maintains a computerized legislative history, and is responsible for safeguarding official documents. The City Clerk is the elections officer for the City and is responsible for the administration of all general and special municipal elections. The City Clerk is the administrator and filing officer for the Fair Political Practices Commission and City of Fremont Conflict of Interest Regulations. The Office of the City

Clerk oversees a records management system that provides for the electronic research and storage of City records, responds to public requests for information, distributes mail to City facilities, and administers the contract for off-site print services. In an effort to streamline service delivery, the City Clerk's Office implemented a fully automated (paperless) electronic web based agenda automation software system to improve staff efficiency.

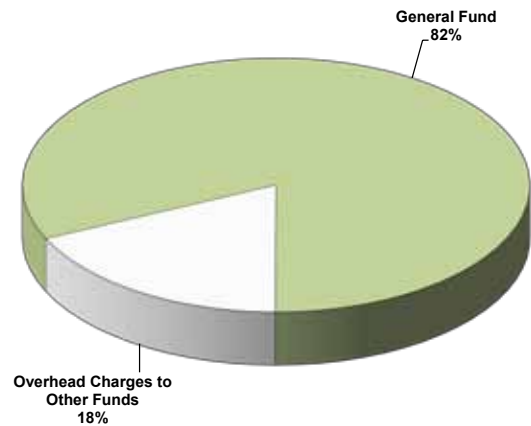
Accomplishment Highlights FY 2011/12

- Completed the implementation of the Automated Agenda Management Process and provided citywide training.
- Developed and implemented a new Automated Agenda Policy that specifically details the use of iPads and other electronic devices during City Council Meetings.
- Provided efficient mail services in a cost effective manner.
- Administered the appointment process for the mayoral vacancy and ensured prompt and easy transition of the newly appointed Mayor into his role.
- Successfully hosted the Alameda County Mayor's Conference in February 2012.

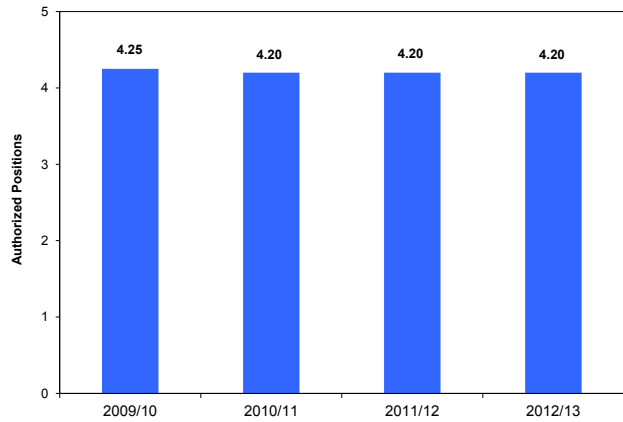
Objectives FY 2012/13

1. Administer the November 6, 2012 General Municipal Election.
2. Streamline the Council Agenda Format and Council Memo Format to ensure transparency and remove redundancy.
3. Monitor the changing postal service environment and accommodate changes as needed to the mail room during the fiscal year.
4. Continue to coordinate the purchase of a software service to efficiently organize and manage streaming content for City Council and Planning Commission meetings to enhance accessibility to these materials.
5. Complete the recodification of the Fremont Municipal Code by systematically organizing the City's ordinances into titles, chapters, and sections by subject matter with a table of contents and index for fast referencing by June 2013.
6. Work with City Departments to review and update each Department's Records Retention Schedule by June 2013 to ensure the schedules are current.

City Clerk Sources of Funding
FY 2012/13: \$906,252



City Clerk Historical Authorized Staffing



City Clerk Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2011/12 Proposed Budget
Salaries & Benefits	\$ 489,593	\$ 462,983	\$ 549,970	\$ 554,226	\$ 559,584	\$ 551,048
Operating Expenditures	221,390	216,053	207,033	343,777	327,553	284,641
Capital Expenditures	-	-	-	-	-	6,000
Indirect Expense Allocation**	149,358	67,965	67,563	67,563	67,563	64,563
Totals	\$ 860,341	\$ 747,001	\$ 824,566	\$ 965,566	\$ 954,700	\$ 906,252

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget -5.1%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Department Budgets | City Clerk

Major Changes

- The FY 2012/13 City Clerk proposed budget is \$48,448 (or 5.1%) less than the FY 2011/12 adopted budget.
- Salaries and benefits are decreasing by 1.5%. This is the result of labor negotiations completed in FY 2011/12, which means that all staff members in the department are now paying a portion of the employer's share of the CalPERS retirement costs.
- Operating expenditures are decreasing by 13.1%, due to decreases in the amount of postage used by the City because of the transition to distributing more information through technology, including the City website.
- Capital expenditures are increasing by \$6,000, due to one-time replacement costs for equipment.
- The indirect expense allocation is decreasing by 4.4%, primarily due to decreases in the department's share of vehicle replacement costs.

Staffing by Function FY 2012/13

City Clerk	
Assistant City Manager	0.50 *
Assistant to the City Manager/City Clerk	0.70 *
Deputy City Clerk	1.00
Office Specialist I	2.00
* The balance of this position is budgeted in the City Manager's Office.	

Regular Full-Time Equivalents: 4.20

Finance

Mission:

To assist the City Council, City Manager, and operating departments in prudently managing financial resources and assets by providing accurate information and high-quality business and financial planning and management advisory services, including budgeting, debt management, accounting, purchasing, revenue collection and management, and payables processing.

Major Services

Accounting

Account for City's resources and disclose the financial condition of the City and results of its operations in the year-end comprehensive annual financial report.

Budget

Monitor local business and economic trends for effects on the City's revenue sources; prepare and monitor the annual operating budget.

Purchasing/Accounts Payable

Provide accounts payable, accounts receivable, and purchasing services.

Revenue

*Collect and audit all locally-controlled revenues.
Complete citywide invoicing and accounts receivable processing.*

Treasury

Manage the City's investment, debt financing, and banking functions.

Department Overview

The Finance Department is responsible for providing financial information, policy analyses, and recommendations that help the City Council and all City departments make decisions about how to best allocate the City's resources. The department supports the organization's immediate as well as long-range resource allocation decisions, and responds to both economic fluctuations and changes in the State's fiscal outlook. Finance Department staff facilitate efforts to evaluate the effects of budget changes on service levels, assist departments with business planning, support citywide economic development projects, and provide recommendations on proposals with a financial impact.

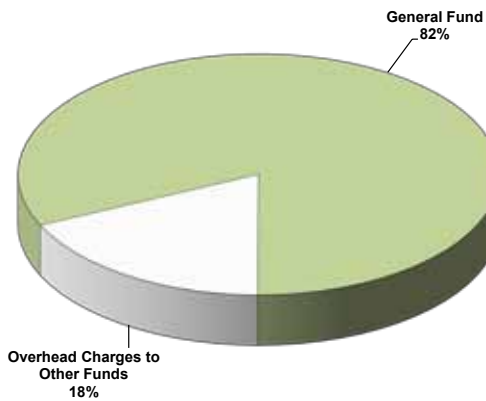
Accomplishment Highlights FY 2011/12

- Received awards for Excellence in Financial Reporting for the 27th year in a row and Excellence in Budgeting for the 15th year in a row from the Government Finance Officers Association (GFOA).
- Formalized and implemented budget principles as identified in the Strategic Fiscal Sustainability Study. The principles will be tools used to make decisions that have financial implications and in the development of the City's annual operating budget.
- Successfully transitioned all Redevelopment Agency assets and operations to the Successor Agency to comply with State regulations as a result of the elimination of redevelopment agencies statewide.
- In collaboration with the City Attorney's Office, received City Council approval and adoption of the revised Purchasing Ordinance, and trained departments on the updated policy, which allows for more efficient procurement and contracting processes, thereby saving City resources.
- In collaboration with the City Manager's Office, conducted training and implemented the first phase of Performance Measurement into the budgeting process, thereby giving the City better ability to track performance and enhance efficiency and effectiveness of various services and programs.
- In partnership with the City Manager's Office, launched Phase One of the City's performance measurement system with the Community Services, Fire, Human Resources, Information Technology Services, and Public Works departments.

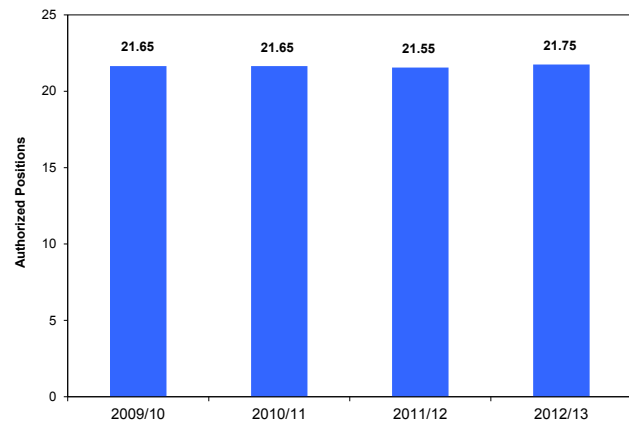
Objectives FY 2012/13

1. In partnership with the Human Resources and Information Technology Services Departments, implement the migration of the City's financial application, in order to improve functionality and reliability, and improve integration with other City systems. Implementation is anticipated to be complete by fall 2013.
2. In partnership with Information Technology Services, evaluate options and schedule an upgrade to the software for the City's Business License application.
3. In partnership with all departments, complete the comprehensive Master/User Fee Study and in-depth review of Development Cost Center fees, and develop a Cost Allocation Plan and a fully-burdened staff rate analysis to accurately account for the true cost of providing City services by the end of summer 2012.
4. Conduct a review of the current City-issued cell phones and their usage to better manage cell phone costs. This project is expected to be completed by the end of summer 2012.
5. In partnership with the Public Works Department, study the internal service fund concept for fleet services to determine the preferred methodology to allocate fleet maintenance operating costs.
6. Develop a marketing strategy and outreach campaign to encourage more businesses to use the City's online business license renewal option, which will make business license renewal easier for customers and provide more efficient use of staff time.

Finance Sources of Funding FY 2012/13: \$3,497,571



Finance Historical Authorized Staffing



Finance Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 2,676,007	\$ 2,494,687	\$ 2,648,756	\$ 2,807,926	\$ 2,881,514	\$ 2,852,635
Operating Expenditures	393,627	591,509	397,459	467,169	386,571	372,870
Capital Expenditures	-	10,769	10,000	6,094	-	-
Indirect Expense Allocation**	524,386	269,179	274,413	274,413	274,413	272,066
Totals	\$ 3,594,020	\$ 3,366,144	\$ 3,330,628	\$ 3,555,602	\$ 3,542,498	\$ 3,497,571

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget -1.3%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

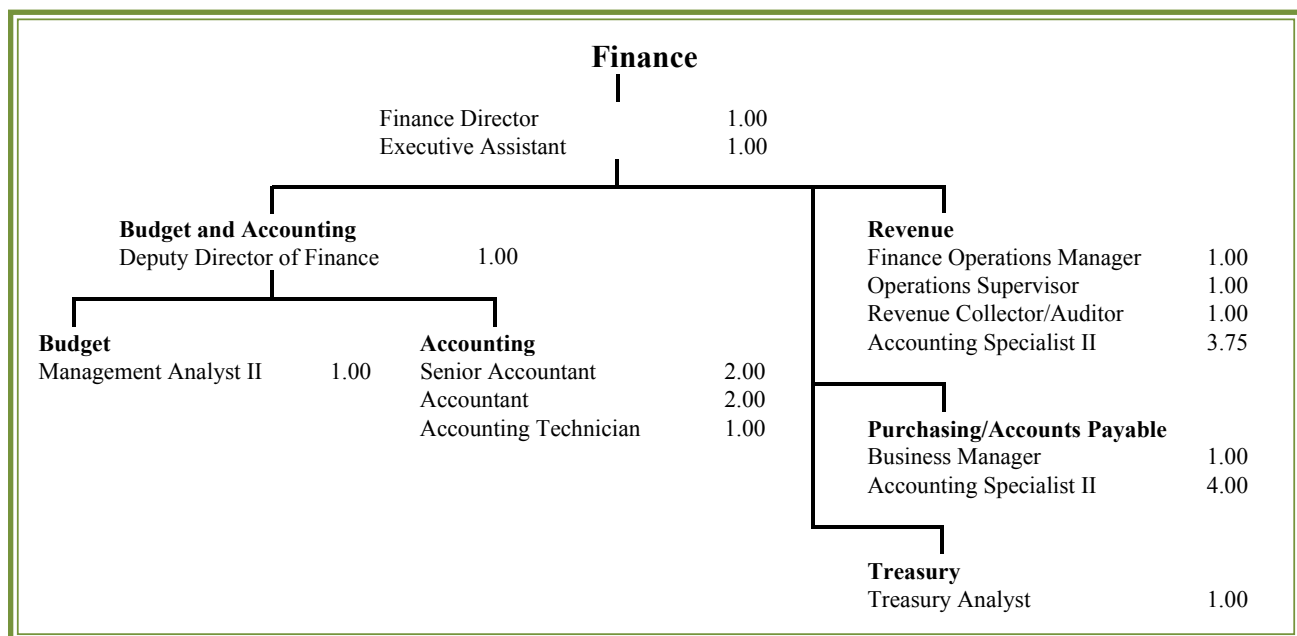
** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Department Budgets | Finance

Major Changes

- The FY 2012/13 Finance Department proposed budget is \$44,927 (or 1.3%) less than the FY 2011/12 adopted budget.
- Salaries and benefits are decreasing by 1.0%. This is the result of labor negotiations completed in FY 2011/12, which means that all department staff members are now paying a portion of the employer's share of the CalPERS retirement costs. This decrease was partially offset by transferring a portion of the Finance Director's salary back to the Finance Department, due to the dissolution of Redevelopment, and for FY 2012/13, 1.0 FTE vacant Finance Operations Manager position will be converted to 1.0 FTE Deputy Director of Finance position.

Staffing by Function FY 2012/13



Regular Full-Time Equivalents: 21.75

Human Resources

Mission:

Partner with City departments to build and support an innovative, high performance organization.

Major Services

Employee and Labor Relations

*Maintain solid working relationships
between the City, bargaining units, and employees.*

Citywide Policy Development

*Develop and improve protocols for
various citywide administrative and personnel policies.*

Employee and Organizational Development and Training

*Develop and train a well-qualified and professional workforce
and provide organizational development in an effort to increase resiliency.*

Recruitment, Examination, Classification, and Compensation

*Attract and screen qualified candidates
for the City's workforce, conduct applicant examinations,
and develop and review classifications and compensation.*

Benefit and Payroll Administration

*Manage and coordinate benefits plans
and payroll function for employees.*

Department Overview



Human Resources staff provide specialized assistance to all employees in the following areas: employee and labor relations; citywide policy development; employee and organizational development and training; recruitment, examination, classification and compensation; and benefits and payroll administration. The department also conducts new employee orientations, assists employees with benefit enrollments and questions, and ensures compliance with federal and State employment and income tax laws.

Accomplishment Highlights FY 2011/12

- Successfully completed negotiations with nine bargaining units to meet Citywide budget reduction goals, including reducing overall employee compensation and establishment of a lower retirement tier for new employees.
- Working with ITS staff, successfully implemented streamlined payroll processing procedures.
- Streamlined the administration of the City's flexible spending plan and COBRA benefits administration.
- Transitioned to an on-line application process for the majority of recruitments.

Service Delivery Changes FY 2012/13

- In FY 2012/13, implement online orientation for new employees, internet access for all employees to review their benefits, selection of benefits during the annual open enrollment period, and view and print paychecks and tax documents.
- In early 2013, implement a pilot program for self service employee timekeeping.

Objectives FY 2012/13

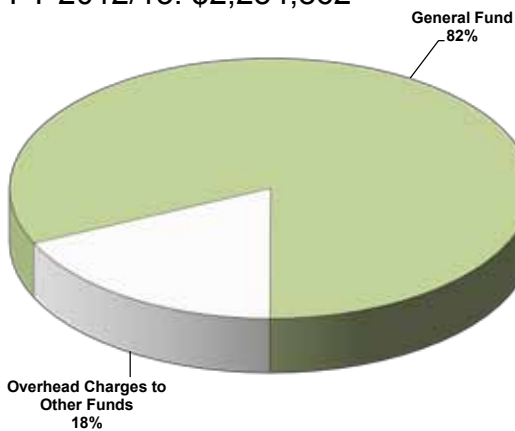
1. In partnership with Information Technology Services, implement Peoplesoft self-service access to Human Resources and benefit information to empower employees and increase efficiencies by the end of fiscal year 2012/13.
2. Develop a program to provide training for first line supervisors and managers to improve or solidify best work practices by spring 2013.
3. Continue to evaluate and implement human resource related recommendations presented in the Strategic Fiscal Sustainability Study over the next one to two fiscal years.
4. Negotiate new bargaining agreements with nine bargaining units to meet City Council objectives by June 30, 2013.
5. Develop and implement an employee engagement program to foster employee satisfaction and maintain Fremont's status as a desirable employer.
6. Develop and implement an employee performance management program to set and maintain performance standards.

Performance Measurement

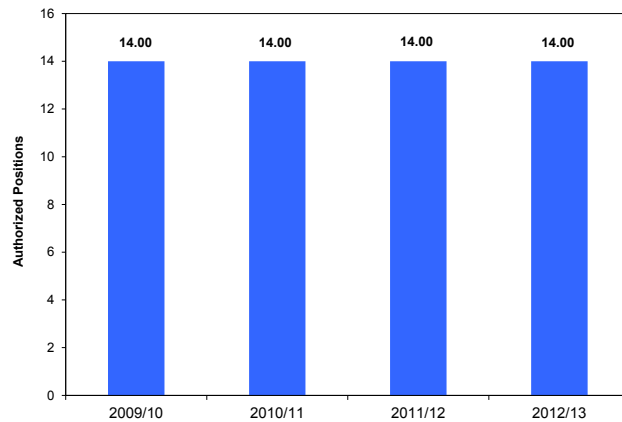
<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i><u>Employee Benefits</u></i>		
Cost of benefits as a % of payroll	13%	TBD
<i><u>Labor Relations</u></i>		
Citywide sick leave utilization (leave used as a % of leave accrued)	90%	TBD
<i><u>Employee Services</u></i>		
% of Police Department employees that pass probation	60%	TBD

Department Budgets | Human Resources

Human Resources Sources of Funding FY 2012/13: \$2,254,862



Human Resources Historical Authorized Staffing



Human Resources Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 1,570,985	\$ 1,533,863	\$ 1,753,861	\$ 1,897,196	\$ 1,947,009	\$ 1,877,937
Operating Expenditures	274,050	310,309	307,837	264,355	243,655	216,830
Capital Expenditures	-	-	-	-	-	-
Indirect Expense Allocation**	180,791	157,729	156,592	156,592	156,592	160,095
Totals	\$ 2,025,826	\$ 2,001,901	\$ 2,218,290	\$ 2,318,143	\$ 2,347,256	\$ 2,254,862

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget -3.9%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 Human Resources proposed budget is \$92,394 (or 3.9%) less than the FY 2011/12 adopted budget.
- Salaries and benefits are decreasing by 3.5%, partially the result of dropping 1.0 FTE and adding 1.0 FTE at a lower salary range. In addition, labor negotiations were completed in FY 2011/12, which means that all department staff members are now paying a portion of the employer's share of the CalPERS retirement costs.
- Operating expenditures are decreasing by 11.0%, as a result of transferring certain employee-related expenses to their respective department budgets.

Staffing by Function FY 2012/13

Human Resources				
Administration				
	Human Resources Director		1.00	
	Executive Assistant		1.00	
Classification/Recruitment		Labor Relations/Benefits/Payroll		
	Human Resources Manager	1.00	Human Resources Manager	1.00
	Human Resources Analyst II	1.00	Human Resources Analyst III	1.00
	Human Resources Technician II	4.00	Human Resources Analyst II	1.00
			Human Resources Technician II	2.00
			Labor Relations Technician	1.00

Regular Full-Time Equivalents: 14.00

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Information Technology Services

Mission:

To deliver the best proven technology and services available for computer, data, telecommunications, mapping, and critical business systems of the organization to employees and the public through excellent customer service, continuous improvement, innovative problem-solving, adherence to standardized information technology best practices, and collaborative solutions.

Major Services

Infrastructure Services

Ensure that the computer, telecommunications, data network, and security systems are available to enable City staff to provide essential services to their customers.

Business Systems

Fulfill the information and service needs of the City by providing leadership in acquiring and deploying high quality, cost-effective, and timely solutions.

Geographic Information Systems (GIS)

Develop and maintain critical geospatial data while delivering simple, interactive mapping tools to enable City employees and citizens to seamlessly access and visualize the information.

Department Overview



Scan this code on a smartphone to access the City's website.

The Information Technology Services (ITS) Department supports and enhances computer, telecommunications, business, and mapping systems for the City. The ITS Department is committed to providing outstanding customer service by being transparent, adaptive, and responsive in meeting customer needs. The ITS Department, in partnership with its customers, assists in planning, selecting and implementing value-added business solutions that fulfill the City's strategic goals and objectives.

Accomplishment Highlights FY 2011/12

- Completed the initial draft of the IT Strategic Plan. The plan will include the vision, philosophy, guiding principles, and strategies for implementing IT-related projects as well as timelines and estimated costs for specific projects to be completed over the next five years. Approval of the plan will be completed in early FY 2012/13.
- Initiated an Information Security Policies, Practices, and Procedures (ISP3) project to formalize IT procedures, align with industry best practices, and maintain proper governance and compliance. As a result of the initiative, the ITS Department received the Municipal Information Systems Association of California (MISAC) 2011 Quality IT Practices Award.
- Worked in partnership with the City Clerk's Office to deploy a new Agenda Automation system that streamlined the Council agenda process by implementing electronic routing and approvals, reduced time and resources spent compiling the agendas, reduced paper waste by electronic distribution, and reduced costs by over \$40,000 annually.
- Implemented a new backup solution that is highly efficient in its use of disk storage due to de-duplication functionality and enables the ITS Department to keep multiple copies of server backups for file retention purposes in accordance with the City's retention policies and to more easily restore critical data in the event of a major disaster.
- Significantly increased address accuracy and reporting options for GIS Online as well as deployed a new facilities mapping application for the Public Works Building Maintenance Division.



Service Delivery Changes FY 2012/13

- Enable customers to submit service tickets electronically and directly into the help desk application, improving response and resolution times.
- ITS staff can remotely access users' computers to more quickly resolve issues and educate users at the same time.
- Provide computer-based training to enable customers to access "on-demand" training through pre-recorded content.

Objectives FY 2012/13

1. In partnership with the Finance Department, begin work on the selected migration path and implement a new financial system by fall 2013 that will provide improved functionality and usability, as well as better integration with the Human Resources Management System.
2. Continue the project to replace the current permitting system with a robust land use/permitting system to assist in accomplishing land use and development objectives described in the City's General Plan and Zoning Act. Complete the system development to meet detailed customer requirements and complete the procurement process by the end of FY 2012/13 to implement and begin using the new system in FY 2013/14.
3. Upgrade and/or replace the GIS Online application by the end of June 2013 to take advantage of the latest technology, improve usability as well as public access to data, and allow for cross-platform functionality including mobile devices.
4. Implement a new e-mail system including hardware and infrastructure by the end of FY 2012/13 to improve electronic communications for end users.
5. To ensure business continuity, enter into an agreement by the end of June 2013 with a third-party data warehouse vendor or another city establishing a redundant disaster recovery site to replicate and store the City's critical data.
6. In partnership with the Human Resources Department, implement PeopleSoft self-service access to Human Resources and benefit information to empower employees and increase efficiencies by the end of FY 2012/13.

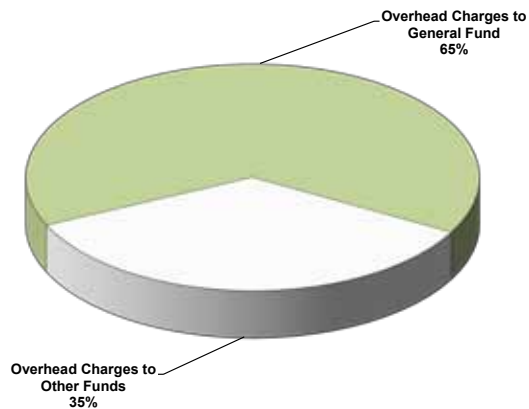
Performance Measurement

<u>Measure</u>	<u>FY 2012/13 Target</u>	<u>FY 2012/13 Actual</u>
<i><u>Infrastructure Services</u></i>		
Percent of network availability as measured using a monitoring tool uptime algorithm	98%	TBD
<i><u>Business Systems</u></i>		
Percent of service tickets resolved within the stated service level agreements (SLAs) for the type and criticality of each request	85%	TBD
<i><u>Geographic Information Systems</u></i>		
Percent of requests for addressing completed within agreed-upon time frames.	85%	TBD

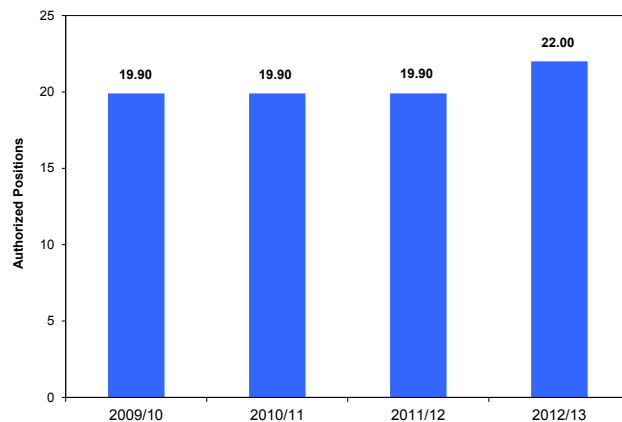
Department Budgets | Information Technology Services

Information Technology Services Sources of Funding

FY 2012/13: \$6,248,198



Information Technology Services Historical Authorized Staffing



Information Technology Services Historical Expenditures/Budget, by Category

	2009/10 Actual	2010/11 Actual	2011/12 Estimated Actual	2011/12* Adjusted Budget	2011/12 Adopted Budget	2012/13 Proposed Budget
Salaries & Benefits	\$ 2,653,346	\$ 2,515,810	\$ 2,743,396	\$ 2,795,595	\$ 2,901,951	\$ 3,132,420
Operating Expenditures	1,187,502	1,066,146	1,844,937	2,051,039	1,866,578	1,675,619
Capital Expenditures	66,239	160,062	1,554,139	1,798,612	1,114,000	727,433
Indirect Expense Allocation**	769,598	872,782	837,782	806,589	806,590	712,726
Totals	\$ 4,676,685	\$ 4,614,800	\$ 6,980,254	\$ 7,451,835	\$ 6,689,119	\$ 6,248,198

% increase/(decrease), including all funds, from FY 2011/12 Adopted Budget -6.6%

* Adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget, but incurred in the department, such as accrued employee leave cash out.

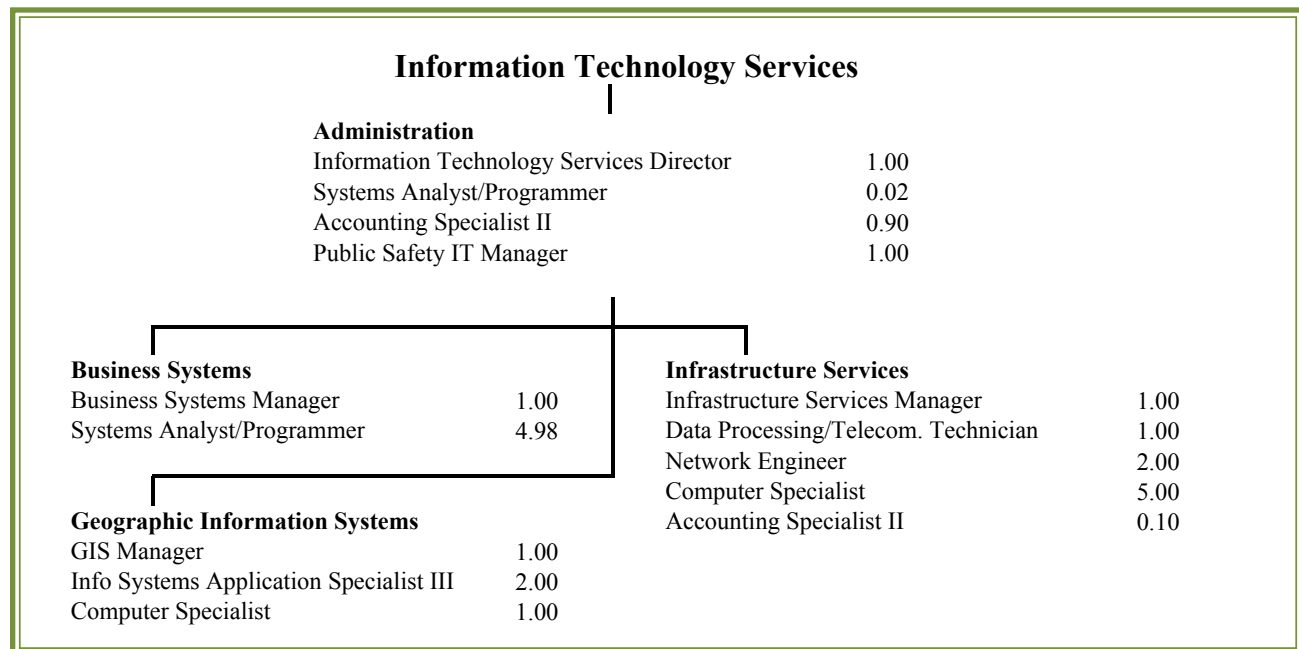
** Indirect expense allocation displays the department's share of the City's total costs for information technology, vehicle replacement, workers' compensation costs, general liability insurance, and retiree medical benefits.

Major Changes

- The FY 2012/13 Information Technology Services proposed budget is \$440,921 (or 6.6%) less than the FY 2011/12 adopted budget. The staffing level for FY 2012/13 is 2.1 FTEs higher than the FY 2011/12 level. This is the net effect of consolidating 3.0 Police IS staff members into the IT Services Department, and increasing an existing GIS Manager position by 0.10 FTE. This 3.1 FTE increase is partially offset by elimination of 1.0 FTE Computer Specialist position, an efficiency made possible by the consolidation of the Police Department IS staff into the IT Services Department.
- Salaries and benefits are increasing by 7.9%. This is due to transferring 3.0 FTE positions from the Police Department to consolidate Police IS staff with the IT Services Department, which was partially offset by eliminating 1.0 FTE Computer Specialist position, an efficiency made possible with the consolidation. In addition, labor negotiations were completed in FY 2011/12, which means that all department staff members are now paying a portion of the employer's share of the CalPERS retirement costs.
- Operating expenditures are decreasing by 10.2%, due to fewer software system upgrades needed in FY 2012/13 and renegotiated contracts for maintenance services.
- Capital expenditures are decreasing by 34.7%, due to a reduced need for computer replacements compared to FY 2011/12, when a large portion of the City's inventory was upgraded or replaced in order to accommodate the upgrade to Windows 7 and Office 2010.
- The indirect expense allocation is decreasing by 11.6%, which is primarily the result of decreases in the department's vehicle replacement allocation.

Department Budgets | Information Technology Services

Staffing by Function FY 2012/13



Regular Full-Time Equivalents: 22.00

Staffing

Regular Position Summary

Overview

The total authorized regular staffing level of 839.565 for FY 2012/13 has decreased by 8.92 full-time equivalents (FTEs) from the FY 2011/12 level. Many departments are operating at their lowest staffing levels in over 18 years. Staffing levels for the most basic services – Police, Fire, and Maintenance – are at their lowest level in over 21 years when Fremont’s population growth for the same period is taken into account.

Although the overall staffing level has decreased, most of the decrease is due to the dissolution of Redevelopment. There are some changes to the distribution of FTEs within departments, primarily related to reorganization of staff within the Community Development, IT Services, Police and Public Works Departments.

	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
<u>PUBLIC SAFETY</u>								
Fire	153.00	153.00	161.00	161.000	152.000	152.500	152.500	153.000
Police	294.00	294.00	302.00	302.000	287.000	287.000	287.000	282.000
TOTAL	447.00	447.00	463.00	463.000	439.000	439.500	439.500	435.000
<u>OTHER COMMUNITY SERVICES</u>								
Community Development	105.10	106.42	108.30	113.500	99.275	98.335	60.750	61.000
Economic Development	4.64	4.64	4.69	4.675	4.575	3.650	3.650	4.000
Human Services	43.97	43.97	52.32	52.800	51.800	54.500	54.500	56.500
Public Works	113.40	112.90	116.15	116.025	103.105	103.230	109.235	110.235
Community Services	67.35	67.35	67.35	69.350	61.850	61.850	93.430	94.410
Housing and Redevelopment	14.54	13.99	12.91	13.725	11.925	12.100	12.100	0.000
TOTAL	349.00	349.27	361.72	370.075	332.530	333.665	333.665	326.145
<u>ADMINISTRATIVE DEPARTMENTS</u>								
City Manager's Office	3.00	2.40	3.00	2.750	1.750	1.750	1.750	6.800
Administrative Systems Office	5.30	5.30	4.70	4.700	3.500	4.400	4.500	0.000
City Attorney	10.75	10.75	10.75	10.500	9.420	9.420	9.420	9.670
City Clerk	6.40	6.30	5.30	5.300	4.250	4.200	4.200	4.200
Finance	25.75	25.75	24.75	24.750	21.650	21.650	21.550	21.750
Information Technology Services	20.40	20.40	21.90	21.900	19.900	19.900	19.900	22.000
Human Resources	17.00	17.00	17.00	17.000	14.000	14.000	14.000	14.000
TOTAL	88.60	87.90	87.40	86.900	74.470	75.320	75.320	78.420
CITYWIDE TOTAL	884.60	884.17	912.12	919.975	846.000	848.485	848.485	839.565

Staffing | Regular Position Summary

The City Manager's Office staffing level for FY 2012/13 is 0.55 FTE higher than the FY 2011/12 level. This increase is due to adding 1.0 FTE Management Analyst II, as recommended in the Sustainability Study Action Plan, as well as transferring a portion of the City Manager's time back from the Office of Housing and Redevelopment budget, due to the dissolution of Redevelopment. This increase is partially offset by a decrease of 1.0 FTE vacant Executive Assistant position that was defunded in FY 2010/11, and will now be eliminated.

The City Attorney's Office staffing level for FY 2012/13 is 0.25 FTE higher than the FY 2011/12 level. This is due to transferring 0.25 FTE of the City Attorney's time back from the Office of Housing and Redevelopment budget, due to the dissolution of Redevelopment.

The Economic Development Department staffing level for FY 2012/13 is 0.35 FTE higher than the FY 2011/12 level. This is due to transferring 0.35 FTE of staff time back from the Office of Housing and Redevelopment budget, due to the dissolution of Redevelopment.

The Community Development Department staffing level for FY 2012/13 is 0.25 FTEs more than the FY 2011/12 level. The increase is the net result of transferring 0.75 FTE positions back from the Office of Housing and Redevelopment budget, due to the dissolution of Redevelopment, which is partially offset by the transfer of 0.5 FTE position back to the Environmental Services Division of the Community Service Department.

The Community Services Department staffing level is 0.98 FTEs more than the FY 2011/12 level, due to an increase of 0.48 FTEs for the Tiny Tots program in the Recreation Division, as well as an increase of 0.5 FTE resulting from transferring a portion of a position back to the Environmental Services Division from the Community Development Department.

The Finance Department staffing level for FY 2012/13 is 0.20 FTE more than the FY 2011/12 level. The increase is due to transferring 0.20 FTE of the Finance Director's time back from the Office of Housing and Redevelopment budget due to the dissolution of Redevelopment.

The Fire Department staffing level for FY 2012/13 is 0.5 FTE higher than the FY 2011/12 level. The increase will add 0.5 FTE Senior Office Specialist to increase administrative support for the department.

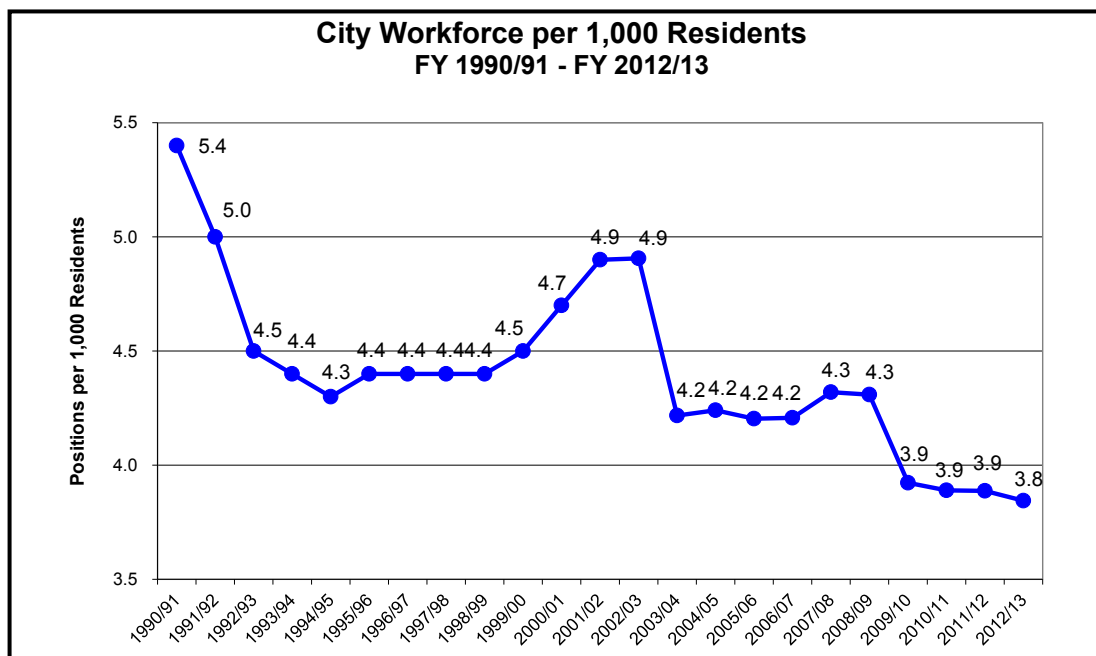
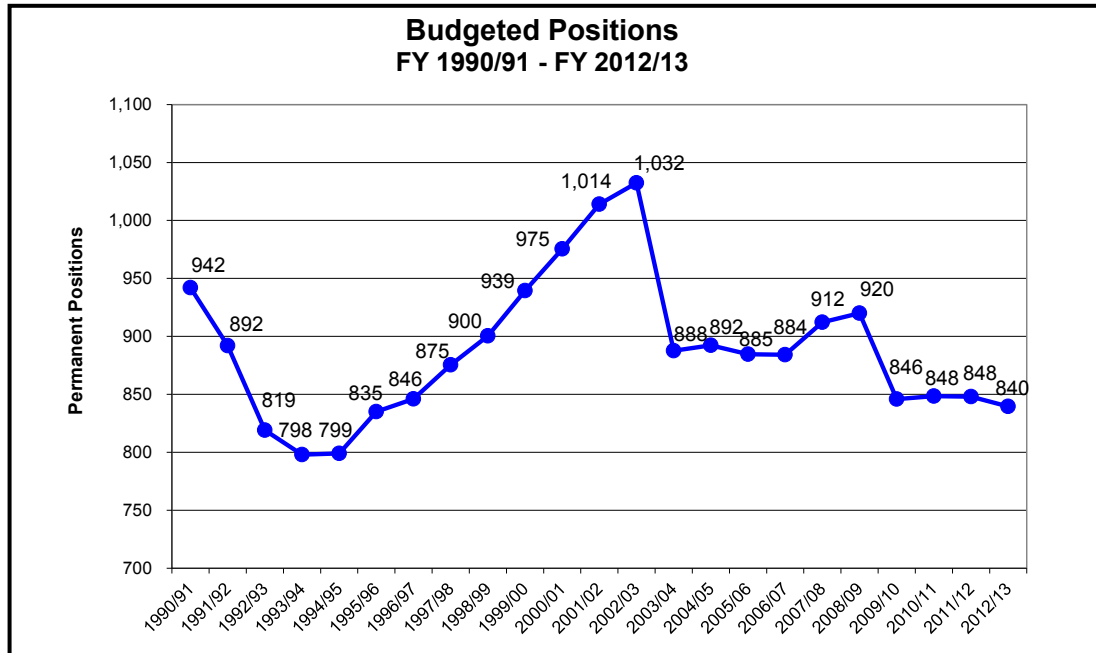
The Human Services Department staffing level for FY 2012/13 is 2.0 FTEs higher than the FY 2011/12 level. This is due to converting two former temporary positions to regular positions due to the stable funding that will support this workload on an ongoing basis.

The IT Services Department staffing level for FY 2012/13 is 2.1 FTEs higher than the FY 2011/12 level. This is the net effect of transferring 3.0 FTEs from the Police Department to the IT Services Department, and increasing an existing GIS Manager position by 0.10 FTE. This 3.1 FTE increase is partially offset by elimination of 1.0 FTE Computer Specialist position, an efficiency made possible by the consolidation of the Police IS staff into the IT Services Department.

The Police Department staffing level for FY 2012/13 is 5.0 FTEs less than the FY 2011/12 level. Part of the decrease (3.0) FTEs is due to consolidation of the Police IS staff into the IT Services Department. The remaining decrease of 2.0 FTEs is the result of converting 2.0 FTE police officer positions to overtime, in order to more accurately budget for the overtime needs of the Department.

Staffing | Regular Position Summary

The Public Works Department staffing level for FY 2012/13 is 1.0 FTE more than the FY 2011/12 level. The increase is due to adding 0.25 FTE to an existing Associate Civil Engineer position, as well as the addition of a new 0.75 FTE Engineering Technician position.



Historical Perspective

City staffing has remained relatively constant over the past 20 years since FY 1993/94 despite population growth of more than 34,000 residents, or nearly 19%. Fremont continues to be one of the lowest staffed cities on a per capita basis in Alameda County. The FY 2012/13 budget authorizes 83 fewer positions than authorized by the City Council for FY 1990/91. The chart on the previous page shows that since the high point achieved in FY 1990/91, Fremont has reduced its workforce during economic recession, and has been disciplined when adding back staff during economic recovery.

During the FY 1990/91 – FY 1993/94 recession, the City eliminated 144 positions. In the subsequent nine years, as Fremont's population grew and the economy expanded, the City added 234 positions, mostly in police, fire, and maintenance services. In 2003, the City eliminated 224 positions (168 budgeted and 56 part-time or temporary) as a step toward balancing the FY 2003/04 budget as a result of the high-tech recession. The FY 2003/04 authorized staffing level was 14% lower than the FY 2002/03 adopted budget level, and marked the City's lowest regular staffing level since FY 1997/98. Since FY 2003/04, the City's regular authorized staffing levels have remained relatively constant, with only minor changes from year to year. The only exception was in FY 2007/08, when critical public safety needs were addressed somewhat by adding some police and fire sworn positions; however, no other General Fund positions have been added. This budget continues the City's historically low staffing and related service levels. The FY 2012/13 staffing level has been reduced by 8.92 FTE positions compared to FY 2011/12, primarily due to the dissolution of Redevelopment.

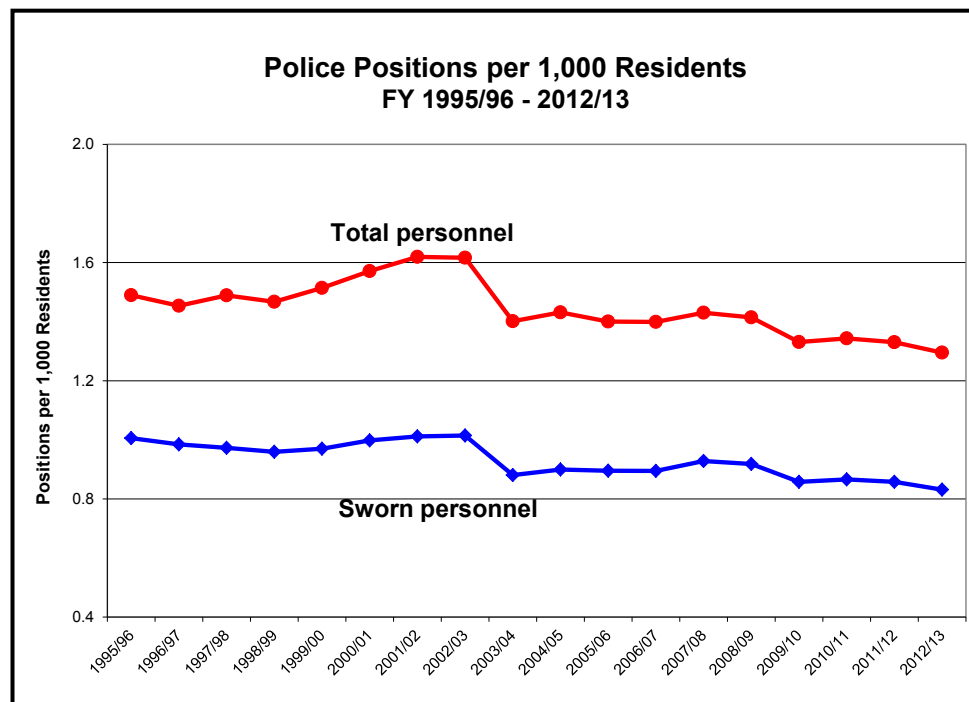
Staffing levels are even steadier when population growth over time is considered. Between FY 1990/91 and FY 1994/95, the City reduced its authorized position count from 5.4 to 4.3 positions per 1,000 residents. Between FY 1994/95 and FY 1998/99, per capita staffing stayed constant before the economic expansion later in the decade, which allowed the City to restore some of the services lost because of the early 1990s recession. The 2001/02 economic recession again forced reduction in the City's per capita staffing to its lowest levels ever – 4.2 FTEs per 1,000 residents, until FY 2009/10, when authorized staffing levels fell to a low of 3.9 FTEs per 1,000 residents. In FY 2012/13, staffing levels have fallen to a new low of 3.8 FTEs per 1,000 residents.

The City of Fremont maintains an extremely low ratio of budgeted positions to residents. Fremont's low staffing ratio is driven by resource limitations, and due to the severity of the recession, will continue its service reductions to the community. Fremont has less per capita revenue to pay for basic public safety and maintenance services than other larger California cities, its neighboring cities, and other cities known for their high quality of life. Through FY 2007/08, Fremont's workforce was the lowest per capita staffing in the area. Because many neighboring cities are also reducing their workforce and services, it is difficult to know how Fremont compares to other cities for FY 2012/13. However, with a staffing level of 3.8 FTEs per 1,000 residents for fiscal year 2012/13, it is likely that Fremont's staff level has not improved in comparison to neighboring communities.

Police

Police Department staffing has decreased by 5.0 FTE positions, however, only 2.0 of those FTEs are police officer positions, which were converted to overtime to meet the overtime needs of the department. The other 3.0 FTE reductions were Police IS staff positions that were transferred to the IT Services Department. The current staffing level is a new all-time low per capita staffing of 0.83 sworn officers per 1,000 residents. This represents 17% less police officer coverage than the one officer per thousand residents available prior to FY 2003/04. This continuing low service level is illustrated by the graph below.

The Police Department implemented a schedule change in January of 2012. The full impact of the schedule change will continue to be evaluated over the next fiscal year. The schedule change is intended to improve the availability of police staff and reduce patrol overtime to some extent. However, the community may continue to experience delays in responses to less critical crimes such as theft or drug- and alcohol-related crimes.

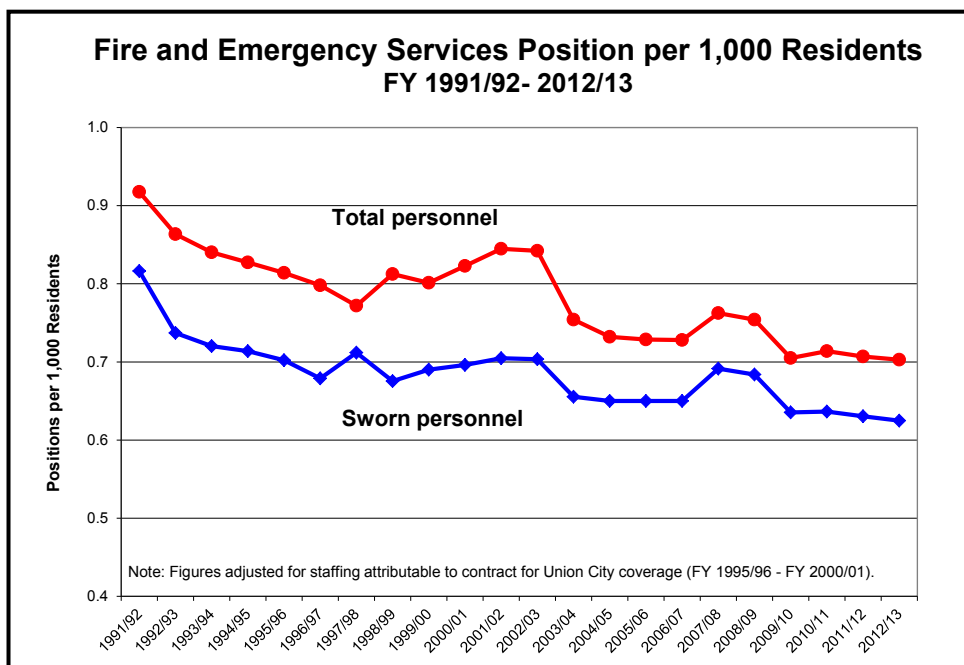


Staffing | Regular Position Summary

Fire

Fire Department FY 2012/13 staffing will increase by 0.5 FTE above the FY 2011/12 level. The number of sworn positions will remain at 0.6 firefighters per 1,000 residents. As illustrated by the graph below, this represents a 23% decline from the per capita staffing level of 0.9 positions per 1,000 residents in FY 1991/92.

In FY 2012/13, Fremont continues to budget one of the lowest sworn fire employees ratio per 1,000 residents than any city located in either Alameda or Santa Clara Counties. Another service efficiency measure is the average number of square miles served by each fire station. Fremont's Fire Department serves 92 square miles with 11 fire stations (one fire station is currently closed), an average of one fire station per eight square miles. By comparison, Oakland averages one fire station for every two square miles, San Jose averages one station for every six square miles, and Hayward averages one station for every seven square miles.



Maintenance

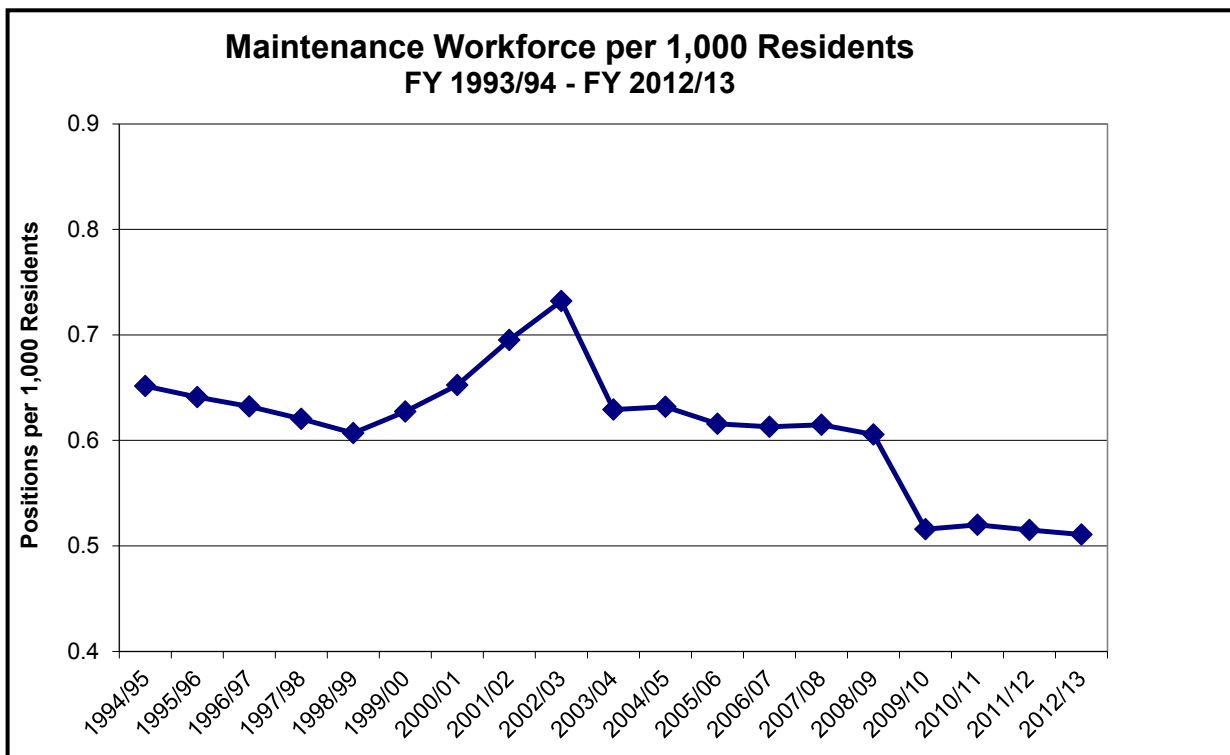
For FY 2012/13, maintenance staffing has increased by 0.10 FTE compared to the level in FY 2011/12. This increase is offset by a corresponding reduction of 0.10 FTE in the Engineering and Transportation Division of the Public Works Department. Low staffing continues to hinder City efforts to maintain its parks, urban forestry, streets, and public buildings.

Maintenance staffing relative to population has decreased over time. However, maintenance demands related to public buildings, streets, and parks have grown tremendously. The following table illustrates this growth.

FY 2012/13 Maintenance Statistics			
Asset	FY 1993/94	FY 2012/13	Percent Change
Public Buildings	581,500 sq. ft.	940,266 sq. ft.	62%
Streets	778 lane miles	1,100 lane miles	41%
Park Land	810 acres	1,108 acres	37%

As with Police and Fire staffing, the 0.5 maintenance workers per 1,000 residents proposed for FY 2012/13 matches the lowest ratio for these services in the City's history.

Maintenance service capacity will continue to be diminished for the foreseeable future. The community will continue to experience further deterioration in its road conditions, sidewalks, and reductions in sign repairs, lane striping, legend painting, and other services.



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Policies & Glossary

Budget Practices

• Budget Process and Calendar.....	207
• Citizen Participation.....	208
• Other Major Planning Processes.....	209
• Basis of Budgeting.....	210
• Basis of Budgetary Accounting	211
• Budget Account Structure	212
• Operating/Capital Expenditure Accountability.....	212

Long-Term Financial Planning

• Long-Term Financial Planning	213
• Cash Management.....	213
• Risk Management	214
• Pension and Post-employment Benefits.....	214

Reserve or Stabilization Accounts

• Reserve or Stabilization Accounts	214
• General Fund Contingency Reserve	215
• General Fund Program Investment Reserve	215
• General Fund Budget Uncertainty Reserve	215
• Development Cost Center Contingency Reserve.....	216
• Development Cost Center Technology and System Improvement Reserve	216
• Development Cost Center Unallocated Fund Balance.....	216
• Human Services Special Revenue Fund Contingency Reserve.....	217
• Integrated Waste Management Disposal Differential Reserve	217
• Integrated Waste Management Unallocated Fund Balance	217
• Integrated Waste Management Vehicle Replacement Reserve	217
• Urban Runoff Clean Water Program Contingency Reserve	218
• Urban Runoff Clean Water Program Unallocated Fund Balance	218
• Recreation Cost Center Contingency Reserve.....	218
• Recreation Cost Center Operating Improvement Reserve.....	218

Cost Center Spending Authorizations

• Recreation Cost Center Spending Authorization	219
• Development Cost Center Spending Authorization.....	219
• Development Cost Recovery	219

Debt Capacity, Issuance & Management

• Short-Term Operating Debt	219
• Interfund Loans.....	220
• Long-Term Capital Debt.....	221
• Financing Instruments.....	224

Glossary of Budget Terms

• Glossary of Budget Terms.....	226
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Policies and Practices

The City of Fremont budget and financial policies are subject to California State law, generally accepted accounting principles (GAAP), and the City Council. The standards set by these authorities establish budget calendar dates, provide for budget control, describe the budget amendment process after budget adoption, and identify appropriate methods for budgeting, accounting, and reporting. The City's resources and appropriations policies are extensions of the laws established by the State of California through the City Council and follow GAAP for local governments and budgeting practices.

Budget practices and policies are reviewed to ensure that current financial practices are in place. Areas for future policy development and updates may include post-retirement benefits and a periodic review and update of the City's existing reserve policies.

Budget Practices

Budget Process and Calendar

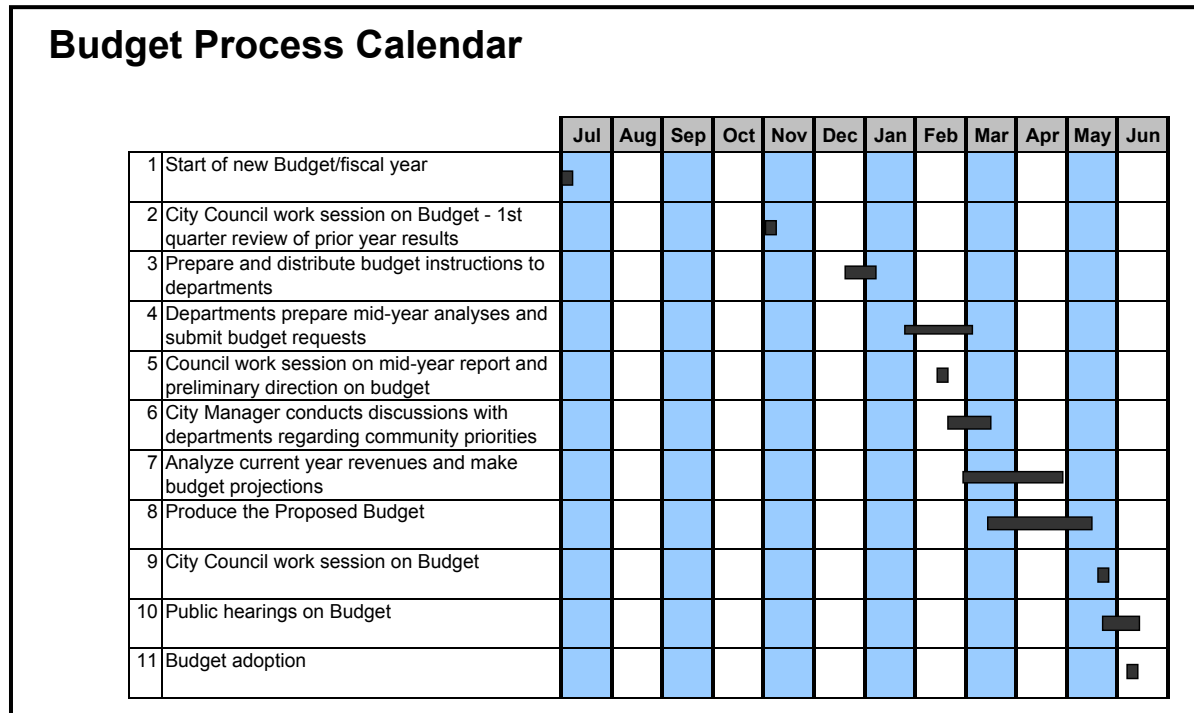
The budget process enables the City Council to make resource allocation decisions, including choices about staffing, technology, equipment, and priorities to be addressed in the coming fiscal year. The City of Fremont's Annual Operating Budget is adopted by the City Council by July 1 each year. Although the City Council first reviews the budget in May, the City Manager's Office, the Finance Department, and other departments begin to prepare it at least six months prior. Throughout the year, staff provides quarterly revenue projections and updates on the City's financial performance, and continues to assess City needs. In producing the budget, the Budget Team receives input from the public, City Council, and staff.

In November, the City Manager provides an update to the City Council on the current year's budget and outlines policy issues facing the City. Together, they establish objectives for the upcoming year. At the mid-year budget review that typically takes place in February, the City Council provides feedback and direction regarding proposed priorities for the future programming of General Fund resources. With this direction and the Finance Department's revenue projections, each department prepares a proposed budget. The Budget Team works closely with department managers to ensure that budgets reflect the City Council's interests, priorities, and goals.

Several weeks before the budget is adopted, the City Manager presents the budget for the coming year to the City Council along with information on current year accomplishments and future year goals. Copies of the proposed budget documents are available to the public at public hearings, and they are also available in the City Clerk's Office, and on the City's website. The City Manager presents the budget to the City Council in a televised public forum. Included in the City Manager's presentation are an update of the City's financial position and long-range plan; a review of the national, State, and local economies; a discussion of financial policies; and an update on department activities. After reviewing the proposed budget and receiving public comment at public hearings, the City Council may direct staff to revise the proposed budget. On or before June 30, the City Council votes to adopt the budget, including any revisions to the proposed budget. At any time after the adoption of the budget, the City Council may amend or supplement the budget.

Policies & Glossary | Policies and Practices

Upon final adoption by the City Council, the budget becomes the legal authorization for the various departments to expend resources, subject to conditions established by the City Manager and City Council. Through a resolution adopted by the City Council, the City Manager is authorized to transfer appropriations as needed from any account in the budget to any other accounts within the same fund to meet overall budget requirements. This resolution further authorizes the City Manager to transfer funds designated as “Transfers” in appropriate increments and intervals. The City Council has adopted several financial and budgetary policies, which address debt, reserves, and spending authorizations, and which help guide long-term planning. These policies are outlined in further detail throughout this section.



Citizen Participation

Citizens of Fremont participate in the budget planning process in various ways, such as participating on Council-appointed boards and commissions, attending budget study sessions and public hearings, or meeting with City staff. Quarterly study sessions to review the City’s budget and discuss relevant policy issues are held as public meetings.

Public hearings for the budget adoption typically occur at the end of May and the beginning of June. Citizens have the opportunity to speak about budget issues at these hearings and at any City Council meeting during the year. All Council meetings and budget study sessions are televised on the local cable access channel.

The City Council will hear a presentation of the City Manager’s proposed FY 2012/13 budget at a televised meeting on May 15, 2012. Televised public hearings will be held on June 5 and June 12, 2012.

Other Major Planning Processes

The budget is one of three major citywide planning tools. The General Plan, which governs land use and development, and the Capital Improvement Program (CIP) are the other two. Each planning process informs the others, and together they enable coordinated planning for operating City services, maintaining the City's investment in public infrastructure, and developing land consistently with community interests.

The City Council adopted the General Plan update on December 13, 2011. The General Plan can be referred to as a city's "Constitution" for growth and development and the policy foundation upon which all development and land use decisions are based. Each general law city and county in the State of California is required to have a General Plan that addresses specific elements as identified by the State. It contains long-term goals for the City's development and conservation, and the implementation actions that will move the City towards achievement of those goals. It is the official adopted policy regarding the future location, character, and quality of physical development, and conservation of the natural environment.

The Fremont General Plan establishes a new twenty-five year vision for the community based on technical and legal requirements, extensive discussions with the community, and policymaker input. The new plan aims for an "even greater" Fremont, including a flourishing downtown, increased jobs to match an increasing resident workforce, a variety of housing types, and thriving, pedestrian-oriented commercial districts. This plan also addresses the overarching vision of Fremont as a "green" city through goals and policies to meet climate change objectives, reduce solid waste, and enhance the pedestrian and cycling network.

The CIP planning process takes place every two years. The product is a funded five-year plan for building and maintaining City infrastructure. While the CIP keeps a five-year planning horizon, it appropriates funds for a two-year period. The current CIP was adopted on June 14, 2011, and appropriates the funds for projects and maintenance activities for FY 2011/12 and FY 2012/13. Therefore, the capital funding information is included in the adopted budget when it is published, and includes information from the FY 2011/12 – FY 2015/16 CIP.

Including maintenance in the capital budgeting process is intended to overtly balance the planning for capital improvements with funding needs to maintain existing infrastructure. The amount of General Fund to be transferred to the CIP is determined in the annual Operating Budget process, and may vary annually from the amount projected as revenue in the CIP. However, the CIP expenditure appropriation does not change without specific City Council action. The process for adopting the FY 2011/12 – FY 2015/16 CIP began during the summer of 2010. Appropriations will reflect any changes in other City funding capabilities. Conversely, the capital projects adopted in the FY 2011/12 – FY 2015/16 CIP will inform the FY 2012/13 Operating Budget.

Basis of Budgeting

The City uses a multi-year financial forecast model to ensure that current budget decisions consider future financial implications. The basis for the multi-year forecast projections is current year estimated revenues and expenditures.

Revenues: The City receives revenues from a variety of sources. Property tax and sales tax comprise 73% of the General Fund, but are controlled by the State Legislature. During FY 2011/12, the City stopped receiving vehicle license fees due to changes in State law. The City receives the balance of its revenues from local taxes, fees, charges for services, and transfers from other funds for General Fund services. Revenue projections for the coming budget year are comprised of the estimated actual revenue projected for the current year, multiplied by the factor by which the revenue is projected to grow or decline, based on current economic information.

The City has a long-standing practice of dedicating one-time revenues to fund a variety of one-time projects. Increases in the General Fund associated with one-time revenues are not programmed for ongoing operations in the multi-year forecast. This ensures that future revenues and expenditures are reasonably projected.

Fees & Charges: The City charges for some services at rates that, where possible, match the cost of providing the service. Several departments charge for services such as hazardous materials checks, animal vaccinations and sterilization services, and counseling.

Expenditures: The City budgets at the governmental fund level, and funds are grouped for budget presentation. Major fund groups include the General Fund, Cost Center/Internal Service funds, Special Revenue funds, and Capital funds.

While all funds budgeted are included in the operating budget, this document focuses on the General Fund, which contains the majority of the City's discretionary resources for basic services such as police, fire, and maintenance. Departmental base budgets for a given budget year are determined by the following process:

1. starting with the adopted budget for the prior year,
2. reducing the adopted prior year budget for any one-time appropriations the department received,
3. multiplying the adjusted budget by percentage factors for cost increases associated with negotiated bargaining unit agreements and inflation, and
4. implementing any necessary service reductions or enhancements determined by the City Manager.

City funds are budgeted on the modified accrual basis of accounting. This method recognizes revenues when they become measurable and available to finance expenditures of the period. Expenditures are recorded when the related fund liability is incurred with the exception of principal and interest on long-term debt, which are recorded when due.

Basis of Budgetary Accounting

The basis of budgetary accounting that follows describes how the City presents the estimated revenues, budgeted expenditures and expenses, and capital asset purchases in this budget. This description can help the reader understand the differences and similarities in the budget presentation of such financial elements compared to how they are presented in other City publications, such as the City's CIP or its Comprehensive Annual Financial Report (CAFR).

The City uses a "fixed budget" presentation which establishes a spending cap at the fund level, with departmental budgetary guidelines. Department budgets cannot be exceeded without special authorization (see Budget Practices at page 207). This operating budget is adopted for the 2012/13 fiscal year, in contrast to the CIP, which was adopted on June 14, 2011, and covers two fiscal years. The fiscal years before FY 2012/13 shown in the operating budget are for contextual purposes only and are not adopted by the City Council in its budget resolution for FY 2012/13.

The budget is generally prepared on the same basis of accounting used by the City in its CAFR. Definitions for several of the following terms may be found in the Glossary. This terminology comes from the accounting standards used for governments which are established by the Governmental Accounting Standards Board (GASB). These standards constitute generally accepted accounting principles (GAAP) for local governments.

Although legally separate entities from the City, the Fremont Public Financing Authority (PFA) and the Fremont Social Services Joint Powers Authority (JPA) are component units of the City under GAAP. These entities are considered component units because of the degree of control exercised by the City (the City Council and City staff serve as the governing boards and staff, respectively, for these entities) and their financial dependence on the City. The JPA's budget is included in the Human Services department budget. The payment obligations of the PFA are set by the debt instruments underlying the obligations so they are not included in the budget.

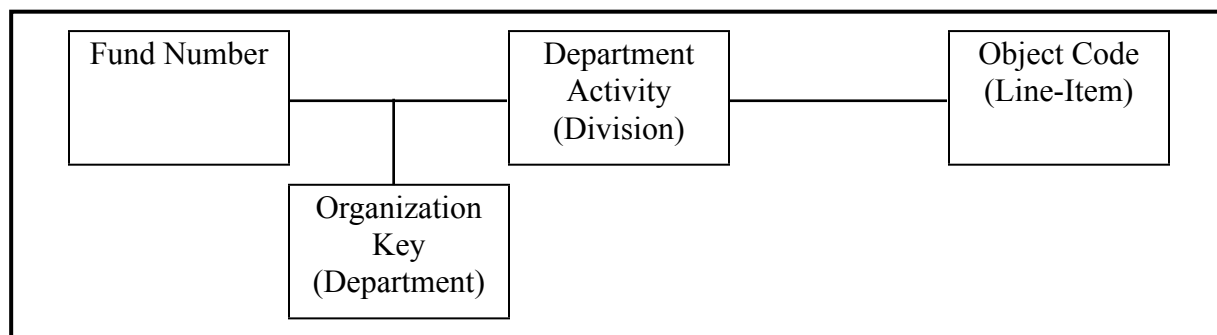
In the Required Supplementary Information section of the CAFR, the City compares actual revenues and expenditures for the accounting period to both the originally adopted budget and the final budget (the adopted budget with any mid-year adjustments) for estimated revenues and expenditure appropriations. These comparisons, made for the General Fund, the Development Cost Center Fund, and the Recreation Services Fund, show the City's compliance with the expenditure caps at the legal level of control. A copy of the City's CAFR for the fiscal year ended June 30, 2011, may be obtained on the City's website at www.fremont.gov, or by contacting the City's Finance Department.

Expenditures are budgeted in the governmental funds on the modified accrual basis of accounting and expenses are budgeted in proprietary funds on the full accrual basis of accounting. The primary difference between the two bases of accounting is that "expenditures" emphasize the reporting of financial resource outflows (cash and cash-like resources) in the period in which they are disbursed, while "expenses" emphasize the matching of the obligation to disburse economic resources (cash and all other assets causing a change in fund net assets) to the period in which the obligation was incurred by the City.

Capital asset acquisitions are shown somewhat differently in the budget than in the CAFR. “Capital Assets” are used in the City’s operations, have an estimated useful life of more than one fiscal year, and cost \$5,000 or more. These long-lived assets include land and buildings and their improvements, vehicles, machinery and equipment, and streets and sidewalks. The City’s planned capital asset purchases are shown in two places in the Budget: (1) in the departmental capital outlay for capital assets to be purchased from annual operating appropriations during the budgeted fiscal year, and (2) in the Capital Budget Summary (CIP) for capital assets to be acquired over several years or which involve particular financing plans. In the CAFR Fund Financial Statements, all capital asset acquisitions are reported in the governmental funds acquiring them as “Capital Outlay” on their operating statements, and in the proprietary funds, the acquiring funds report their acquisition as uses of cash on their statements of cash flow (the assets are also capitalized on their balance sheets).

Budget Account Structure

Budget transactions occur under an established account code structure organized by funding source (fund/fund number). An account code is comprised of eleven numbers, which represent the fund, department/division activity code, and object code. A combined fund number and department activity code result in a department account number called an organization key (org. key). Object codes describe the transaction type within the fund and department. The account code structure can be best summarized in the following diagram:



Operating/Capital Expenditure Accountability

The annual budget sets appropriations by fund or with further allocation by department or program. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund. The City Council may adopt supplemental appropriations during the year.

The annual budget resolution authorizes the City Manager to increase appropriations for operating expenditures for the Development Cost Center and Recreation Cost Center when quarterly fee revenue in those funds exceeds the amount estimated at the time of budget adoption because of increased activity. It also authorizes the City Manager to increase appropriations for operating expenditures due to increases in grant or activity-based revenues in an amount not to exceed the increased grant or activity-based revenues. All other revisions or transfers that alter the total appropriations of other funds must be approved by the City Council.

The City maintains a multi-year forecasting model for operating revenues and expenditures, and also produces a five-year capital plan that includes debt service. The multi-year forecast is regularly updated to reflect current revenue and expenditure assumptions and is presented to the City Council after the first fiscal quarter, at mid-year, and during the budget process for the next fiscal year. The City's five-year capital plan is updated every two years.

Long-Term Financial Planning

The City Council continues to focus on the long-term benefits of transportation infrastructure improvement, recruitment of consumer retail uses to balance the City's business-to-business sales tax base, and development of a pedestrian-oriented urban center in the City's Central Business District. Significant resources have been invested in the City's estimated share of freeway interchanges. Four interchanges were constructed using local funds to allow the completion of extensive freeway investments funded by the County, the State, and the federal government. This investment and final interchange structure will complete the upgrades to I-880 through Fremont. Construction was completed on two grade separation projects that will increase safety, reduce congestion, and facilitate the extension of the Bay Area Rapid Transit District commuter rail system south to the City's Warm Springs district and, eventually, to San Jose.

Previous years allowed the City to accumulate balances in the development impact fee funds intended for infrastructure and improved amenities in the community. The park development impact fee funds also accumulated adequate funding for a significant park improvement program. The impacts of maintenance and operational costs need to be balanced with a cost of acquiring or developing parkland, consistent with standards in the City's park master plan.

Cash Management

Cash temporarily idle during the year is invested in obligations of the U.S. Treasury and agencies of the federal government, commercial paper, corporate bonds, banker's acceptances, qualifying mutual funds, time deposits, money market accounts, and the State Treasurer's investment pool. Investment income includes appreciation/depreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City plans to hold to maturity. Because it is the City's practice to hold investments to maturity, unrealized investment gains and losses are not included in the budget until such time as they actually occur. Pursuant to State law, the City's investment policy is adopted by the City Council annually.

Risk Management

The City of Fremont uses a risk management program to reduce its workers' compensation and general liability claim costs. The City employs a professional risk manager, a safety coordinator, and staff, supplemented by professional claim administration firms, to minimize losses. The City participates in two multi-agency joint powers authorities to provide excess insurance coverage, one for general liability coverage and one for workers' compensation coverage. The joint powers authorities and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential losses. Excess coverage provided by the joint powers authorities covers claims in excess of \$500,000 for both general liability and workers' compensation claims.

Pension and Post-employment Benefits

The City provides pension and medical benefits for its public safety and non-safety employees through two contracts with CalPERS. The contracts include benefit levels negotiated by the City with its employee units and for which it has executed contract amendments. The plans also include some benefit levels approved by the State Legislature without contract amendment and funding mechanisms approved by the CalPERS Board of Administration. The City also provides post-retirement benefits in the form of limited contributions toward health insurance costs for certain retirees based on the provisions of labor agreements in effect at the date of the employees' retirement.

Reserve or Stabilization Accounts

Reserves accumulated during years when revenues exceeded expenditures cushion the City's transition to a lower revenue base and allow the City to adjust spending in response to economic downturns and State revenue takeaways. The General Fund maintains three reserves: the Contingency Reserve, the Program Investment Reserve, and the Budget Uncertainty Reserve. The City also maintains reserves for fee-based cost center operations and certain other special revenue funds, including the following:

- Development Cost Center Contingency Reserve
- Development Cost Center Technology and System Improvement Reserve
- Human Services Special Revenue Fund Contingency Reserve
- Integrated Waste Management Disposal Differential Reserve
- Integrated Waste Management Vehicle Replacement Reserve
- Urban Runoff Clean Water Program Contingency Reserve
- Recreation Cost Center Contingency Reserve
- Recreation Cost Center Operating Improvement Reserve

General Fund Contingency Reserve

Contingency Reserve funds help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events. The Contingency Reserve also serves as back-up liquidity to the Risk Management Fund if this need were to arise. The Contingency Reserve is funded at a level at least equal to 10% of annual operating expenditures and transfers out. All uses of the Contingency Reserve must be approved by the City Council. Any such uses are to be repaid to the Contingency Reserve over a period of no more than three years. (Adopted by the City Council on June 9, 2009)

General Fund Program Investment Reserve

The Program Investment Reserve provides a source of working capital for the following:

- a. New programs or undertakings that have the potential for receiving significant funding from outside sources.
- b. Organization retooling, process improvement, and strategic entrepreneurial opportunities.

The Program Investment Reserve is funded at a level at least equal to 2.5% of annual operating expenditures and transfers out. All uses of the Program Investment Reserve must be approved by the City Council. Any such uses are to be repaid to the Program Investment Reserve over a period to be determined by the City Council at the time of usage approval, with a target repayment period of no more than three years. (Adopted by the City Council on June 4, 1996)

General Fund Budget Uncertainty Reserve

The General Fund Budget Uncertainty Reserve is targeted to offset quantifiable revenue uncertainty in the multi-year forecast. The long-term funding level for this reserve is determined by measuring the level of financial risk associated with the following three areas of uncertainty:

1. Revenue risks: Revenues falling short of budget projections may cause shortfalls. Transitional funding is also necessary to respond to reductions in major revenues due to local, regional, and national economic downturns (estimated to take one to three years).
2. State budget risks: There is a strong possibility that the State may implement budget solutions that legislatively reallocate intergovernmental revenues from local jurisdictions to the State (in the absence of guarantees or constitutional protection of these revenues). These include property taxes, sales taxes, gas taxes, grants, and reimbursements.
3. Uncontrollable costs: The City requires a source of supplemental funding for further increases in CalPERS retirement rates that result from CalPERS investment performance that falls short of actuarial assumptions. In addition, there may be other cost increases that are beyond the City's control (e.g., various fuel and utility charges).

All uses of this reserve must be approved by the City Council. If the risk factors described above are eliminated as a result of new revenue sources, legislation, or major changes in economic conditions, the basis for the reserve will be reviewed and the funding level may be adjusted accordingly. In the event the reserve has accumulated funding beyond the established level reasonably required to offset the risks above, excess funds will be designated for capital projects, budgeted for service enhancement, or returned to the General Fund available fund balance. (Adopted by the City Council on June 4, 2002, and modified on June 10, 2003)

Development Cost Center Contingency Reserve

The Development Cost Center maintains a contingency reserve for operations to help mitigate the effects of economic downturns and errors in financial forecasting. The contingency reserve is funded at a level at least equal to 15% of the annual operating expenditures for engineering, planning, and building and safety. All uses of the contingency reserve must be approved by the City Manager. Any such uses are to be repaid to the contingency reserve over a period of no more than three years. (Adopted by the City Council on June 3, 1997)

Development Cost Center Technology and System Improvement Reserve

The City Council may appropriate an annual contribution from the Development Cost Center to the Development Cost Center technology and system improvement reserve to provide a source of capital for the following:

- Ongoing hardware and software acquisition
- Technology investment
- System improvement

The technology and system improvement reserve was funded initially at a level of \$1 million. This level of reserve is maintained to the extent market conditions and revenues permit. The City Manager recommends annually an amount to be contributed to such a reserve. All uses of the reserve must be approved by the City Manager. (Adopted by the City Council on June 3, 1997)

Development Cost Center Unallocated Fund Balance

When annual fee revenues exceed expenditures and amounts needed to maintain the Development Cost Center reserves at planned levels, the Community Development Department will evaluate the development fee structure during the subsequent fiscal year. The evaluation will take into account equity to fee payers, changes in fee structures to encourage compliance with safety codes, economic forecasts for development and maintenance of responsive, and high-quality customer services. The purpose of this evaluation will be to develop recommendations regarding possible reductions in fee levels that would be funded through use of the unallocated fund balance for the budget year that begins twelve months after the end of the fiscal year that results in an unallocated fund balance. (Adopted by the City Council on June 3, 1997)

Human Services Special Revenue Fund Contingency Reserve

City Council policy is to maintain a Human Services Special Revenue Fund Contingency Reserve to help mitigate the effects of economic downturns and natural disasters, and to maintain flexibility in staffing or program levels during times of temporary decreases in grant or contract funding. The contingency reserve will be funded at a level at least equal to 15% of the Human Services Special Revenue Fund annual operating expenditures and transfers out. All uses of the contingency reserve will be approved by the City Manager. Any such uses will be repaid to the reserve over a period of no more than three years. (Adopted by the City Council on June __, 2012)

Integrated Waste Management Disposal Differential Reserve

The Integrated Waste Management Disposal Differential Reserve represents the difference between disposal fees collected through the solid waste rates and actual landfill disposal or material processing expenses paid. This balance occurs because of the difference between actual solid waste volumes and those used in the rate setting process or, changes in disposal regulatory fees or requirements that occur within the rate period. The use of the disposal differential reserve for specific rate years will be determined by the City Council with the setting of biennial solid waste collection rates. (Adopted by the City Council on July 11, 2006)

Integrated Waste Management Unallocated Fund Balance

The Integrated Waste Management unallocated fund balance will be maintained to fund unexpected costs associated with providing solid waste services that occur between rate setting periods, including post-disaster debris management costs. Unexpected costs associated with providing solid waste services can result from such causes as (including, but not limited to) changes in law, extraordinary circumstances (as defined in the various solid waste contracts), and implementation of new or expanded solid waste programs or environmental initiatives (e.g., the Sustainability Element of the General Plan). In the event of a natural disaster, this fund balance will provide a source of funds for disaster response and clean-up efforts with the objective of recycling, reusing, or otherwise diverting disaster debris from the landfill to the greatest extent possible. The unallocated fund balance will be maintained at a level between 8% and 15% of the annual revenue of the solid waste collection contract. This unallocated fund balance will serve as a mechanism for managing and stabilizing rates over time by eliminating the need to fund unexpected costs with immediate solid waste rate changes. The fund balance will be evaluated with the setting of biennial solid waste collection rates during even years to determine whether adjustments in fee levels may be warranted. (Adopted by the City Council on July 11, 2006, and revised on June 8, 2010)

Integrated Waste Management Vehicle Replacement Reserve

City Council policy is to maintain an Integrated Waste Management Vehicle Replacement Reserve to replace equipment dedicated to solid waste activities performed by the City's maintenance division, consistent with the City's vehicle replacement schedule. A sufficient reserve balance will be maintained to provide for the acquisition of Integrated Waste Management vehicles according to the City's replacement schedule based on projected replacement costs. (Adopted by the City Council on June 8, 2010)

Urban Runoff Clean Water Program Contingency Reserve

City Council policy is to maintain a \$300,000 contingency reserve to respond to unfunded events such as changes in law, new initiatives, fluctuating program costs, and changing program requirements. The contingency fund balance will be evaluated on a biennial basis to determine if the level is appropriate. (Adopted by the City Council on June 1, 1999)

Urban Runoff Clean Water Program Unallocated Fund Balance

Unallocated Urban Runoff Clean Water Program funds will be used to support a multi-year focused watershed management program to enhance the Regional Water Quality Control Board's storm water quality standards. Program components may include erosion control, community education, and storm water management techniques to improve the quality of water through the watershed. The unallocated fund balance will be evaluated on a biennial basis as to the levels necessary to support project objectives. (Adopted by the City Council on June 1, 1999)

Recreation Cost Center Contingency Reserve

City Council policy is to maintain a Recreation Cost Center contingency reserve for operations to help mitigate the effects of economic downturns and natural disasters, to maintain full-time staffing levels during temporary loss of program facilities, and to deliver prepaid recreation services. The contingency reserve will be funded at a level at least equal to 15% of the Recreation Division's annual operating expenditures and transfers out. All uses of the contingency reserve will be approved by the City Manager. Any such uses will be repaid to the contingency reserve over a period of no more than three years. (Adopted by the City Council on June 3, 1997 and revised on June 12, 2012)

Recreation Cost Center Operating Improvement Reserve

City Council may appropriate an annual contribution from the Recreation Cost Center to the Recreation Cost Center operating improvement reserve to provide a source of capital for:

- Ongoing hardware and software acquisition
- Capital and/or technology investment
- Process improvement and organizational retooling
- Entrepreneurial program opportunities that have the potential to generate revenues to cover expenditures within a three-year period.

The operating improvement reserve was funded initially at a level of \$1 million. This level of reserve is maintained to the extent market conditions and revenues permit. The City Manager will recommend annually an amount to be contributed to such a reserve. All uses of the reserve will be approved by the City Manager. (Adopted by the City Council on June 3, 1997)

Cost Center Spending Authorizations

Recreation Cost Center Spending Authorization

When revenue estimates for the Recreation Cost Center exceed the amount identified in the budget due to increases in recreation fee activity as verified by the Finance Director, the City Manager is authorized to increase appropriations for expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Finance Director, and reported to City Council as part of the results of the annual financial audit. (Adopted by the City Council on June 3, 1997)

Development Cost Center Spending Authorization

When revenue estimates for the Development Cost Center exceed the amount identified in the budget due to increases in development and fee activity as verified by the Finance Director, the City Manager is authorized to increase appropriations for expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Finance Director, and reported to City Council as part of the results of the annual financial audit. (Included in the annual resolution in prior years and adopted by the City Council on June 3, 1997)

Development Cost Recovery

The multiplier rate was established in the 1992/93 fiscal year to recover all department costs associated with an employee's direct chargeable hours on a project. The multiplier concept replaced the flat rate charging system that applied an average departmental charge for all employees. The two principal components of the multiplier rate are the direct chargeable hours and the departmental budget. Direct chargeable hours are specifically attributed to a particular project and exclude hours that are not associated with a project. Chargeable hours are determined based on an estimated percentage of employee-dedicated hours to a chargeable area. The multiplier used to calculate billing rates for planning and engineering services provided by the Development Cost Center is 2.7.

Debt Capacity, Issuance & Management

Short-Term Operating Debt

Current revenues will cover the expenses associated with the day-to-day operations of the City. However, because the City receives the majority of its property tax revenues twice during the year, and sales tax revenues may fluctuate during the year, the City may experience temporary cash shortfalls. In order to finance these possible cash shortfalls, the City may incur short-term operating debt [typically, Tax and Revenue Anticipation Notes (TRANs)]. The amount of short-term operating debt will be based on cash flow projections for the fiscal year and will comply with applicable federal and State regulations. Operating revenues will be pledged to repay the debt, which will generally be repaid in one year or less. The costs of such borrowings will be minimized to the greatest extent possible. (Adopted by the City Council on February 26, 1996, and reaffirmed on July 7, 1998)

Interfund Loans

The City Council delegates the authority to the City Manager to approve short-term loans of one year or less and long-term advances of five years or less between City funds under the following terms and conditions:

The City Manager is authorized to approve loans of one year or less and advances of five years or less between City funds; provided, that such loans and advances comply with the interfund borrowing policy and that the City Manager and Finance Director concur that such loans and advances are in the financial best interests of the City under then existing circumstances.

Each loan or advance approved by the City Manager will be documented in a writing signed by the City Manager and the Finance Director that states all of the following:

1. the purpose for which the loan or advance is being made;
2. the identification of both the lending and borrowing fund, or funds;
3. the dollar amount of the loan or advance;
4. the maturity date on which all principal together with all accrued and unpaid interest will be due and payable;
5. the scheduled dates and amounts of all principal and interest installment payments;
6. the applicable nominal interest rate or discount rate;
7. the borrowing fund's right to make full prepayment at any time without penalty;
8. the source or sources from which the borrowing fund or funds is expected to repay the loan or advance.

All loans and advances will be repaid by the borrowing funds. Because each loan or advance is expected to be free from risk of default, the Finance Director will establish the nominal interest rate or discount rate to be applied to each transaction using then prevailing interest rates on indebtedness of a comparable term issued by the Treasury Department of the United States of America.

No individual loan or advance approved by the City Manager will exceed the sum of forty million dollars (\$40,000,000), and the total of all loans and advances so approved and outstanding at any one time will not exceed the sum of one hundred million dollars (\$100,000,000).

Although the loans and advances will be unsecured, an adequate source of repayment or refunding (including future external debt issuance) is to be identified. Under all circumstances, repayment of the loans will be subordinate to claims and encumbrances established by covenants related to any debt, regardless of issue date, issued into the external financial markets by the City of Fremont, the Fremont Public Financing Authority, or any of them (collectively, the City and/or its affiliated agencies).

No loans or advances will be made from a City fund that is reasonably likely during the contemplated term of the loan or advance to need the same cash to pay for projects or activities for which the lending fund originally received the cash. No loan or advance will be made that will either violate any law, or cause the City and/or its affiliated agencies to breach any restrictive covenant, contractual provision, or grant term. Any loan of developer impact fees will be reported in accordance with California Government Code Section 66006(G).

No loan or advance will be made involving any of the following: any funds holding State Gas Tax proceeds (including, without limitation, the Special Gas Tax Street Improvement Fund), any funds holding federal streets and highway monies, any funds holding revenues collected pursuant to voter-approved measures (including, without limitation, Proposition 1B funds and general obligation bond funds) or trust funds. (Adopted by City Council Resolution on June 9, 2009)

Long-Term Capital Debt

The long-term capital debt policy sets the parameters for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. In addition to this policy, there is a separate policy for land-based financings (typically, Mello-Roos community facility districts and local improvement districts). The following provisions guide the City's consideration of issuing long-term debt:

1. City uses debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:
 - a. When the project is included in the City's five-year capital improvement program and is in conformance with the City's General Plan.
 - b. When the project is not included in the City's five-year capital improvement program, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program, or it is a project mandated immediately by State or federal requirements.
 - c. When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.
 - d. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues.
 - e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.
2. The project priority process used in developing the City's five-year capital improvement program, including criteria used in evaluating projects and project viability, is reviewed by the City Council as part of the biennial update of the five-year capital improvement program.

Policies & Glossary | Policies and Practices

3. The following criteria is used to evaluate pay-as-you-go versus long-term debt financing in funding capital improvements:
 - a. Factors which favor pay-as-you-go:
 - i. Current revenues and adequate fund balances are available.
 - ii. Project phasing is feasible.
 - iii. Debt levels would adversely affect the City's credit rating.
 - iv. Market conditions are unstable or present difficulties in marketing.
 - b. Factors which favor long-term financing:
 - i. Revenues available for debt service are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating.
 - ii. The project for which financing is being considered is of the type that will allow the City to maintain an appropriate credit rating.
 - iii. Market conditions present favorable interest rates and demand for municipal financings.
 - iv. A project is mandated by State or federal requirements and current revenues and fund balances are insufficient to pay project costs.
 - v. A project is immediately required to meet or relieve capacity needs.
 - vi. The life of the project or asset financed is five years or longer.
4. The following is considered in evaluating appropriate debt levels:
 - a. General Fund supported debt service will not exceed 7% of total General Fund budgeted expenditures and transfers out.
 - b. The General Fund may be used to provide back-up liquidity to improve the viability of a self-supported debt issue (i.e., not land-based financings), but only if the General Fund is not exposed to significant risk of loss of assets or impairment of liquidity. This evaluation of risk will consider such things as the following:
 - i. Volatility and collectability of the revenue source identified for repayment of the debt.
 - ii. The likelihood the General Fund would be reimbursed within one year for any payments it might potentially need to make in its role as back-up guarantor. If the City Council determines the risk of loss of assets or impairment of liquidity to the General Fund to be relatively minimal, self-supported debt service for debt that relies on the General Fund as a back-up guarantor will not exceed 7% of General Fund budgeted expenditures and transfers out. This limitation is separate from and in addition to the debt limitation for general fund supported debt service described in Section 4.a., above.

5. The costs of developing and maintaining a land-based long-term debt policy will be borne by the development community, which uses this type of financing.
6. The City will follow all State and federal regulations and requirements regarding bond provisions, issuance, taxation, and disclosure.
7. The adoption of resolutions of intent will be considered whenever bond issuance is contemplated to increase the flexibility related to funding costs related to the project (e.g., project development costs, architectural costs, studies, etc.).
8. Costs incurred by the City, such as bond counsel and financial advisor fees, printing, underwriters' discount, and project design and construction costs, will be charged to the bond issue to the extent allowable by law.
9. The City will seek credit enhancements, such as letters of credit or insurance, when necessary for cost-effectiveness.
10. The City will monitor compliance with bond covenants and adhere to federal arbitrage and disclosure regulations. Any instances of non compliance will be reported to the City Council.
11. The City will seek to maintain its current bond rating and will ordinarily not consider long-term debt that, through its issuance, would cause the City's bond rating to be lowered.
12. The City will maintain good communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus (Official Statement).
13. The City will generally conduct financings on a competitive basis; however, negotiated financings may be used where market volatility or the use of an unusual or complex financing or security structure is a concern with regard to marketability.
14. The City will select a financial advisor and/or investment banker and bond counsel on a competitive basis; these advisors will be retained for at least four years to provide continuity and allow them to develop an understanding of the City's needs. Other outside service providers may be selected by developers or owners, subject to the City's approval. Trustees and/or paying agents will be selected by competitive bid.
15. Interfund borrowing will be considered to finance high priority needs on a case-by-case basis, only when planned expenditures in the fund making the loan would not be affected. Interfund borrowing may be used when it would reduce costs of interest, debt issuance, and/or administration.
16. The term of the long-term debt instrument will not exceed the legal life of the asset or thirty years, whichever is less.
17. Bond proceeds will be invested in accordance with the provisions of the bond indenture. Funds set aside for debt service will only be used for that purpose.

18. In choosing the appropriate long-term debt instrument, cost, economic equity, political acceptability, and flexibility will be considered. Refunds will be considered to reduce interest costs or principal outstanding, or to eliminate restrictive debt covenants. Pooled financings with other government agencies will be considered, as appropriate.

Financing Instruments

There are many different types of long-term debt instruments available. Depending on the specific circumstances, the City will consider using the following types of financing instruments:

1. General Obligation Bonds - Bonds backed by the full faith and credit of the City. The taxing power may be an unlimited ad valorem tax, subject to State law, or a limited tax, usually on real estate and personal property. A special rate is incorporated in the property tax bill annually to pay for debt service. A two-thirds voter approval is required for authorization. Because it is secured by a tax levy, this structure has strong marketability and lower interest costs.
2. Revenue Bonds - Bonds are secured by revenues generated by the facility that is financed or by dedicated user fees. Voter approval may or may not be required. Planning is more complex because costs and revenues affect each other. Credit enhancement (e.g., insurance or letter of credit) may be needed because of the limited source of debt service payment.
3. Certificates of Participation - The City enters into a lease agreement with another party (a lessor, such as a joint powers authority) to lease an asset over a defined period of time at a prearranged annual payment. Voter approval is generally not required. Lease payments are made primarily from General Fund revenues. Current law requires the lessee to make lease payments only if the facility has beneficial use. The legislative body has to appropriate annual debt service payments. For the security of the bondholders, a reserve fund is normally established and held by a trustee until all bonds are paid. Interest during project construction must be capitalized. An “asset transfer” structure, whereby an existing facility is used as security to finance construction or acquisition of another project, may be used for flexibility.
4. Assessment Bonds - Bonds are issued to develop facilities and basic infrastructure for the benefit of properties within the assessment district. Assessments are levied on properties benefited by the project. Voter approval is not required. Instead, a majority vote of the property owners with a majority of assessments is needed to authorize the issue. The issuer’s recourse for non-payment is foreclosure. This type of bond is normally not rated. The bonds may be issued under the provisions of the 1911, 1915 or Mello-Roos Bond Act, whichever is most appropriate.
5. Master Lease Agreements - The City enters into a lease agreement with a provider to lease equipment or facilities whose useful life is too short to finance with long-term debt. Various pieces and types of real and personal property from different vendors over a period of time can be acquired under one master lease agreement. Interest can be fixed or tied to an index. Financing costs are normally minimal, but the interest cost may be higher than with other instruments.

6. Vendor-Financed Leases - A vendor of equipment acts as the lessor and investor, and holds the lease for its full term or may assign the lease. The motivating factor to the vendor is usually to encourage future sales of its product.
7. Marks-Roos Bonds - Bonds are issued by a joint powers authority to buy other bond issues. By pooling bond issues, marketability can be improved and administration costs are reduced.
8. Bond Anticipation Notes - Notes are issued to provide temporary financing, to be repaid by long-term financing. The bridge financing has a maximum maturity of three years. (Adopted by the City Council on May 7, 1996, revised and readopted by Council on July 8, 1998)

Glossary of Budget Terms

Adopted Budget

The adopted budget is the annual City budget approved by the City Council for the fiscal year.

Agency Fund

Agency Funds are used to account for assets held by the City on behalf of others as their agent. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations. Agency funds are not included in the annual operating budget, but are included in the comprehensive annual financial report.

Annual Operating Contingency

An account, used at the discretion of the City Manager, to fund emergency or extraordinary items.

Appropriation

An authorization by the City Council to make expenditures and to incur obligations for a specific purpose within a specific time frame.

Assessed Valuation

A dollar value placed on real estate or other property by Alameda County as a basis for levying property taxes.

Audit

Scrutiny of the City's accounts by an independent auditing firm to determine whether the City's financial statements are fairly presented in accordance with generally accepted accounting principles.

Balanced Budget

The budget for a fund is balanced when total budgeted resources, including revenues, transfers in from other funds, and unallocated fund balance from previous years meet or exceed total budgeted use of resources, including expenditures and transfers out to other funds.

Base Budget

Under traditional budgeting, the base budget is that amount carried over from one year to the next. Each year, approved amounts may be added to or subtracted from the base budget.

Beginning Balance

Unencumbered resources available in a fund from the prior fiscal year after payment of prior fiscal year expenditures.

Bond

Capital raised by issuing a written promise to pay a specified sum of money, called the face value or principal amount, with interest at predetermined intervals.

Budget

A fiscal plan of financial operation listing an estimate of proposed applications or expenditures and the proposed means of financing them. The budget must be approved by the City Council prior to the beginning of the fiscal year.

Budget Principles

Principles the Council and staff use in order to guide development of budgets. For the City of Fremont, these principles fall into three primary categories: General Fund Preservation, Reduce the Cost of Doing Business, and Revenue Generation.

California Public Employees' Retirement System (CalPERS)

The retirement system, administered by the State of California, to which all permanent City employees belong.

Capital Asset/Capital Outlay

Land, infrastructure, and equipment used in operations that have initial useful lives greater than one year. The City has set the capitalization threshold for reporting infrastructure capital assets at \$25,000, and for all other capital assets at \$5,000. Expenditures made for Capital Assets are commonly referred to as "Capital Outlay," and are shown in either the CIP (see next page) or the department budgets depending on whether the capital asset to be acquired is part of the City's long-term capital management program or needed for daily departmental operations.

Capital Budget

A plan of proposed capital outlays and the means of financing them for the current fiscal year period. For a five-year capital budget, the second through fifth year of the Capital Improvement Program is adopted-in-concept.

Capital Improvement Program (CIP)

The five-year financial plan for improving assets and integrating debt service and capital assets maintenance, adopted in a separate budget document and updated every two years.

Certificates of Participation (COPs)

A lending agreement secured by a lease on the acquired asset or other assets of the City.

Consumer Price Index (CPI)

An indicator of inflation, used in some salary-increase or other calculations.

Cost Center

Cost centers are funds established to account for the transactions and activities related to specific City services, and the fees collected in the cost center are used for the benefit of the fee payers. The Development Cost Center, for example, is a fund that accounts for services related to planning, engineering, and inspection of public and private development construction projects.

Debt Service

Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or certificates of participation (COPs).

Deficit

An excess of expenditures over revenues (resources).

Department

An organizational unit comprised of divisions or functions. It is the basic unit of service responsibility encompassing a broad mandate of related activities.

Designated Fund Balance

The portion of fund balance segregated to reflect the City Council's intended use of resources.

Encumbrances

A legal obligation to pay funds for expenditures yet to occur, such as when a purchase order has been issued but the related goods or services have not yet been received. They cease to be encumbrances when the obligations are paid or terminated.

Expenditure

The actual spending of governmental funds.

Fiscal Year

A twelve-month period of time to which a budget applies. In Fremont, the fiscal year is July 1 through June 30.

Fund

An independent fiscal and accounting entity with a self-balancing set of accounts, used to record all financial transactions related to the specific purpose for which the fund was created.

Fund Balance

The difference between fund assets and fund liabilities.

Gann Limit

State of California legislation that limits a City's appropriations growth rate to changes in population and either the change in California per capita income or the change in the local assessment roll due to non-residential new construction.

General Fund

The primary fund of the City used to account for all revenues and expenditures of the City not legally restricted as to use. This fund is used to accumulate the cost of the City's general operations.

GASB

Governmental Accounting Standards Board. This is the organization that establishes generally accepted accounting principles (GAAP) for state and local governments.

General Obligation Bond

Bonds backed by the full faith and credit of the City, used for various purposes and repaid by the regular revenue raising powers (generally property taxes) of the City. General obligation bonds require a two-thirds vote of registered voters casting ballots.

Grant

Contributions or gifts of cash or other assets from another governmental entity or foundation to be used or expended for a specific purpose, activity, or facility. An example is the Community Development Block Grant (CDBG) provided by the federal government.

Hotel/Motel Occupancy Tax

A tax imposed on travelers who stay in temporary lodging facilities within the City. Also referred to as a Transient Occupancy Tax.

Infrastructure

Facilities on which the continuance and growth of the community depend on, such as roads, sidewalks, parks, public buildings, etc.

Interfund Transfers

Moneys transferred from one fund to another, such as from a fund receiving revenue to the fund through which the resources are to be expended.

Internal Service Fund

An Internal Service Fund provides services to other City departments and bills the various other funds for services rendered, just as would private business. These funds recover their costs through user charges. Examples of Internal Service Funds are Information Technology Services (ITS), and Risk Management. These funds account for the Information Technology services and Risk Management provided to other City departments on a cost reimbursement basis. An Internal Service Fund is one type of proprietary fund.

Local Improvement District (LID) Bonds

Bonds paid for by special assessments on benefiting property owners for specific capital improvements.

Materials, Supplies and Services

Expenditures for items that are ordinarily consumed within a fiscal year.

Memoranda of Understanding (MOUs)

The documented agreements resulting from labor negotiations between the City of Fremont and its various bargaining units.

Multi-year Forecast

The Finance Department's five-year forecast of revenues and expenditures. The Finance Department updates the forecast three times a year.

Non-departmental

Appropriations of the General Fund not directly associated with a specific department. Expenditure items and certain types of anticipated general savings are included.

Object Code

The line item describing a revenue or expenditure.

Objectives

The expected results or achievements of a budget activity.

Operating Budget

Annual appropriation of funds for ongoing program costs, including salaries and benefits, services and supplies. This is the primary means by which most of the financing, acquisition, spending and service delivery activities of the City are controlled. Reserves and contingencies are also components of Fremont's annual budget.

Operating Transfer

Amounts transferred between funds; not considered a revenue or expense. For example, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

Ordinance

A formal legislative enactment by the City Council. It has the full force and effect of law within the City boundaries.

Other Post-employment Benefits (OPEB)

Post-employment benefits are those benefits other than pension benefits, including post-employment healthcare (retiree medical) and other non-pension benefits.

Overhead

Charges to various funds to cover the cost of administrative services, rent, custodial services, etc.

Performance Measurement

A process for collecting and reporting information regarding performance. It can involve looking at processes/strategies in place, as well as whether outcomes are in line with what was intended or should have been achieved.

Performance Measures

Quantitative measures that provide information about products, services, and the processes that produce them. They are a tool to help understand, manage, and improve what the organization does.

Proposed Budget

The proposed budget is the budget that is sent to the City Council by the City Manager. The proposed budget, including changes made by the City Council during their review, is approved and then becomes the adopted budget.

Proprietary Funds

City of Fremont activities that operate as public enterprises. Revenues derive from fees charged to users, and the programs are largely cost-covering. Also referred to as Enterprise Funds.

Reserved Fund Balance

Accounts used to record a portion of the fund balance as legally segregated for a specific use or not available for appropriation.

Resolution

A special order of the City Council, with a lower legal standing than an ordinance.

Revenues

Revenues include compensation received for specific services to the public (external revenues), as well as revenues received from other funds (internal revenues).

Salaries and Benefits

A budget category that generally accounts for salaries of full-time and temporary employees, overtime, and employee benefits, such as medical, dental, and retirement, with the exception of other post-employment benefits, such as retiree medical premium reimbursement.

Special Revenue Fund

This fund type is used to account for City revenues from sources that, by law or administrative action, are designated to finance particular functions or activities of government.

Transfers In and Transfers Out

Movement of revenue out of one fund and into another. The recipient fund uses the money to cover the cost of services provided (such as when the General Fund transfers money to the Recreation Cost Center) or to cover the cost of a contract between two funds (such as when the General Fund transfers money to the Development Cost Center).

Undesignated Fund Balance

Accounts used to record a portion of the fund balance not legally segregated for a specific use and, therefore, available for appropriation.

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